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9 UNITED STATES OF AMERICA

10 UNITED STATES DISTRICT COURT

11 FOR THE CENTRAL DISTRICT OF CALIFORNIA

12 UNITED STATES OF AMERICA,) Case No. 11-CR-199-PA
13 Plaintiff,) GOVERNMENT'S RESPONSE TO
14 v.) DEFENDANT'S SENTENCING
15 MARK ROY ANDERSON,) POSITION; DECLARATION OF
16 Defendant.) STEPHEN I. GOORVITCH AND
17) EXHIBITS THERETO
18) Hearing Date/Time:
19) May 21, 2012, at 8:30 a.m.
20)

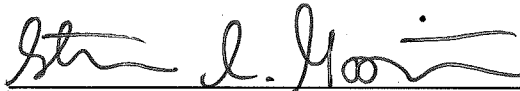
21 Plaintiff United States of America, by and through its
22 counsel of record, Assistant United States Attorney Stephen I.
23 Goorvitch, hereby files this response to defendant's sentencing
24 position. This brief is based on the attached memorandum of
25 points and authorities, the declaration of Stephen I. Goorvitch
26 and exhibits thereto, the government's sentencing positions and
27 exhibits, the pre-sentence investigation report (the "PSR"), the
28

1 files and records in this case, and any argument or evidence
2 presented at the sentencing hearing.

3
4 Dated: May 4, 2012

5 ANDRÉ BIROTTE JR.
6 United States Attorney

7 ROBERT E. DUGDALE
8 Assistant United States Attorney
9 Chief, Criminal Division

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11 STEPHEN I. GOORVITCH
12 Assistant United States Attorney

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UNITED STATES OF AMERICA

1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I.

3 INTRODUCTION

4 Thus far, the government has filed three sentencing briefs:

5 (1) Part I concerns the PSR and the government's sentencing
6 recommendation; (2) Part II concerns certain sentencing
7 enhancements; and (3) Part III concerns total losses and
8 restitution. The government also filed a "Brief Re: Evidentiary
9 Hearing" to alert the Court to potential issues at the sentencing
10 hearing when defendant was represented by former counsel. Now,
11 the government files this brief in response to defendant's
12 sentencing position and to update the Court concerning the
13 government's meet-and-confer sessions with defendant's new
14 defense counsel. In sum, the parties have agreed on all
15 Sentencing Guidelines calculations, except for those associated
16 with loss, though the parties are continuing to meet-and-confer
17 on this remaining issue. The government anticipates calling only
18 one witness at the sentencing hearing. The government also
19 amends its sentencing recommendation to 108 months in custody.¹

20 II.

21 THE SENTENCING GUIDELINES

22 A. The Pre-Sentence Investigation Report

23 The Probation Officer determined that the following
24 Sentencing Guidelines calculations apply to this case:

25 _____
26 ¹ Should the Court determine that a different sentencing
27 range applies to this case, the government would recommend that
28 the Court sentence defendant to the low-end of that range or 84
months imprisonment, whichever is greater, pursuant to Paragraph
3(e) of the plea agreement. See Plea Agreement at ¶ 3(e).

1	Base Offense Level	:	7	[PSR at ¶ 35]
2	Losses Between \$7M and \$20M	:	+20	[PSR at ¶ 36]
3	Over Ten Victims	:	+2	[PSR at ¶ 37]
4	Violation of Texas Injunction	:	+2	[PSR at ¶ 38]
5	Money Laundering Enhancement	:	+1	[PSR at ¶ 40]
6	Obstruction of Justice	:	+3	[PSR at ¶ 43]
7	Acceptance of Responsibility	:	-3	[PSR at ¶ 45]

8 B. Sentencing Enhancements Not In Dispute

9 The parties have met-and-conferred on several occasions and
 10 have reached agreements on most of the sentencing enhancements.
 11 Specifically, the government agrees that the obstruction of
 12 justice enhancement under U.S.S.G. § 3C1.3 does not apply to this
 13 case for the reasons cited in defendant's brief. Defense counsel
 14 has informed the government that defendant does not challenge the
 15 victim enhancement under U.S.S.G. § 2B1.1(b)(2) and the
 16 enhancement for violating a specific judicial order under
 17 U.S.S.G. § 2B1.1(b)(8)(C). In his sentencing position, defendant
 18 "does not contest the legal application of the Sentencing
 19 Guidelines" with respect to the money laundering enhancement
 20 under U.S.S.G. § 2S1.1(b)(2)(A).² Therefore, the government
 21 believes that the only sentencing enhancement in dispute is the
 22 loss enhancement.

24
 25 ²Notwithstanding that this enhancement applies under the
 26 Sentencing Guidelines, under the terms of the plea agreement,
 27 defense counsel is entitled to argue that it is predicated on the
 28 same conduct as the other enhancements and therefore does not
 constitute aggravating conduct. See Defendant's Sentencing Brief
 at 12.

1 C. The Losses That Cannot Be Disputed

2 Defendant concedes that the total losses are between at
3 least \$1 million and \$2.5 million, resulting in a 16-level loss
4 enhancement. See Defendant's Sentencing Position at ¶ III.B.1.
5 However, in his plea agreement, defendant admitted to having
6 defrauded the Texas victims out of at least \$3 million.
7 Specifically, defendant admitted that "certain victims in this
8 case were compensated for their losses through the approximately
9 \$3 million settlement" Defendant's Plea Agreement at
10 ¶ 12 (emphasis added). Similarly, in the factual basis of his
11 plea agreement, defendant admitted that \$3 million in proceeds
12 that he wired to his lawyers in Texas "were used to compensate
13 certain victims in the above-entitled action." Id. at ¶ 13
14 (emphasis added).³ Therefore, defendant cannot dispute that
15 these losses - \$3,041,966 - bring the total loss to at least \$2.5
16 million to \$7 million, resulting in at least an 18-level loss
17 enhancement.

18 D. The Losses In Dispute

19 Essentially, the parties are disputing whether the losses
20 are between \$2.5 million and \$7 million or whether the losses are
21 between \$7 million and \$20 million, which is the difference
22 between an 18-level or a 20-level enhancement for loss. In
23 arguing that the losses are under \$7 million, defendant
24 challenges: (1) the losses to Bryan Williams totaling \$5.425
25

26 ³ Although defendant made restitution to these victims, that
27 affects only the restitution order, and not the Sentencing
28 Guidelines calculations.

1 million, and (2) the losses to the National Healthcare victims
2 totaling \$1.76 million. The government believes that all of
3 these losses should count towards the loss enhancement, resulting
4 in approximately \$10.23 million in total losses. However, the
5 government can reach the 20-level enhancement with only Bryan
6 Williams' losses.

7 III.

8 LOSS ENHANCEMENT

9 A. Legal Standard

10 The government bears the burden of proving the facts
11 underlying a sentencing enhancement by a "preponderance of the
12 evidence." See United States v. Ameline, 409 F.3d 1073, 1085-86
13 (9th Cir. 2005) (en banc); United States v. Howard, 40 F.3d 1085,
14 1090 (9th Cir. 1990). Defendant argues that the government must
15 prove the underlying facts by "clear and convincing evidence"
16 because an extremely disproportionate sentence would otherwise
17 result.

18 However, the cases cited by defendant do not support the
19 application of the higher "clear and convincing evidence"
20 standard in this case. In United States v. Lynch, 437 F.3d 902
21 (9th Cir. 2006), the Ninth Circuit held that the "clear and
22 convincing evidence" standard applied because imposition of the
23 enhancement increased the sentencing range by at least 105
24 months. See id. at 916. By contrast, the dispute in this case
25 involves only two levels of the loss enhancement, the imposition
26 of which results in a low-end recommendation of 108 months in
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1 custody versus 87 months in custody - A difference of only 21
2 months in custody.

3 Similarly, in United States v. Staten, 466 F.3d 708 (9th
4 Cir. 2006), the Ninth Circuit held that the 15-level sentencing
5 enhancement at issue had a disproportionate impact on the
6 sentence because it "increased [the defendant's] offense level by
7 more than four levels and more than doubled her sentence." Id.
8 at 717-18. In defendant's case, the enhancement at issue is less
9 than four levels and would not double his sentencing exposure or
10 the government's sentencing recommendation.

11 Based on the foregoing, the Court need only apply a
12 "preponderance of the evidence" standard. Regardless, the
13 government believes that the evidence on loss would satisfy the
14 higher "clear and convincing evidence" standard.

15 B. Bryan Williams

16 During his initial interview, Williams informed the FBI that
17 he was a victim. See Government's Sentencing Position (Part II),
18 Goorvitch Decl., Exh. #1. After defendant pleaded guilty,
19 Williams' attorney sent the government a letter suggesting that
20 his client may not be a victim. See Defendant's Sentencing
21 Position, Harris Decl., Exh. A. The government produced this
22 letter to defense counsel, who (understandably) argued that those
23 losses should not count towards the loss enhancement.

24 Subsequently, counsel met-and-conferred over this issue and
25 then jointly interviewed Bryan Williams in an effort to clarify
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1 this discrepancy.⁴ During the interview on May 1, 2012, Williams
2 stated in substance the following: (1) Williams met defendant in
3 Oklahoma and looked at certain land/oil leases; (2) Defendant was
4 to purchase the land/oil leases from the owner and then sell them
5 to Anderson; (3) all of the money Williams gave Anderson was
6 intended for that purpose; (4) None of the money Williams gave
7 Anderson was intended as payment for consulting services; and
8 (5) Williams received nothing in exchange for the money he gave
9 defendant. See Goorvitch Decl. to this Brief, Exh. #1. Rhonita
10 Thorton corroborated Williams' account that the money was
11 intended to purchase the land/oil leases they saw in Oklahoma.
12 See Government's Sentencing Position (Part II), Goorvitch Decl.,
13 Exh. #2. However, according to Nona Roach, defendant showed
14 Williams land/oil leases that he did not actually own and did not
15 purchase. See id., Exh. #2 and #3. As discussed in Part II of
16 the government's sentencing brief, defendant used the bulk of
17 this money to satisfy the civil judgments in the Texas action.
18 Therefore, all of the money Bryan Williams gave defendant counts
19 towards loss, bringing the total to over \$7 million (\$3,041,966
20 from the Texas victims plus \$5,425,000 from Bryan Williams).

21 B. National Healthcare Victims

22 The National Healthcare ("NHCT") victims' losses - totaling
23 at least \$1.76 million - count towards the total losses in this
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26 ⁴ Defense counsel has agreed that the government need not
27 call Williams as a witness at the sentencing hearing.

1 case.⁵ Defendant argues that the Court must offset these
2 victims' losses by the value of the stock, citing United States
3 v. Zolp, 479 F.3d 715 (9th Cir. 2007). However, in that case,
4 the Ninth Circuit made a distinction between cases involving
5 "sham" companies whose stock has no value and legitimate
6 companies whose stock has "residual value after the fraudulent
7 scheme is revealed." Id. at 719. Thus, in a "pump-and-dump"
8 case,⁶ district courts must "disentangle the underlying value of
9 the stock, inflation of that value due to the fraud, and either
10 inflation or deflation of that value due to unrelated causes."
11 Id.

12 Although defendant's case is not a "pump-and-dump" case, the
13 government does not challenge the underlying point that the Court
14 should determine the value of the stock and offset any
15 restitution award. However, the government does not agree that
16 the Court should use historical trading prices as a measure of
17 the stock's value. Not only are victims not required to take
18 steps to mitigate their losses, see United States v. Rice, 38
19 F.3d 1536, 1542 (9th Cir. 1994), the Court should not require
20 victims to have known that defendant was a fraudster and to have
21 sold their stock at one of several peaks in the market. Rather,

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23 ⁵ The losses relating to the National Healthcare victims are
24 not dispositive with respect to the Sentencing Guidelines
25 calculations. Regardless, the Court must determine these
26 victims' losses for purposes of restitution.

27 ⁶ A "pump-and-dump" scheme is one in which the targets
28 disseminate material misrepresentations or omissions to increase
the value of the stock (the "pump") and then sell the stock at
the artificially-increased price (the "dump").

1 since the Court is now determining what restitution award to
2 order, the relevant inquiry is the current value of the stock.
3 Assuming that public information is complete and accurate, the
4 market price of the stock is merely a measure of the company's
5 value. "Shares of stock in corporations possess no intrinsic
6 value over and above the actual value of the property of the
7 corporation which they stand for and represent. . . ." Nevada
8 National Bank of San Francisco v. Dodge, 119 F. 57 (9th Cir.
9 1902). According to the company's most recent annual report for
10 the fiscal year ended December 31, 2011, the company - now called
11 "Cannabis Science, Inc." - has assets of only \$60,546 (including
12 \$47,588 in intangible assets) and liabilities of \$2,290,947. See
13 Goorvitch Decl. to this Brief, Exh. #4 at page 10 of 28. The
14 company showed revenue of only \$90,107 between January 27, 2005
15 (its inception) and December 31, 2011. See id. at page 11 of 28.
16 However, the company showed net losses of \$70,536,669. See id.
17 Regardless of whether this evidence establishes that the company
18 is a "sham," it certainly demonstrates that the company has no
19 real value, which is corroborated by the stock price. Over the
20 past year, the stock price has fluctuated from less than 1¢ per
21 share to no more than 25¢ per share, and the market price on May
22 2, 2012 was 9¢ per share. See id., Exh. #5. Accordingly, the
23 government believes that the Court should find that the NHCT
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1 stock has no value and order full restitution to those victims.⁷

2 IV.

3 GOVERNMENT'S REVISED SENTENCING RECOMMENDATION

4 Initially, the government concurred with the PSR that the
5 total offense level is 32. Because the government now agrees
6 with defendant that the three-level obstruction of justice
7 enhancement does not apply to this case, the total offense level
8 is 29. Based on a Criminal History Category of III, the advisory
9 sentencing range is 108 to 135 months in custody. The government
10 is revising its recommendation to 108 months in custody. This
11 revised recommendation is based on the reasons delineated in the
12 government's original brief, though the government wishes to
13 emphasize two factors that support its decision to lower its
14 recommendation. First, the government is lowering its sentencing
15 recommendation pursuant to the plea agreement, in order to strive
16 for consistency and to avoid unwarranted sentencing disparities.
17 Second, the government notes that defendant accepted
18 responsibility and pleaded guilty sufficiently early to save the
19 government resources, which allowed the undersigned Assistant
20 U.S. Attorney and the case agents to work on other matters.

21 However, the government rejects defendant's argument that
22 the Court should impose a sentence of 70 months in custody or
23 less. As an initial matter, any sentence in this case should
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25 ⁷ Ms. Vuong was defrauded out of \$770,000. Even were the
26 Court to assign some value to NHCT stock, contrary to defendant's
27 argument, only \$125,000 of this investment was for one million
28 shares of NHCT. See Government's Sentencing Position (Part III),
Goorvitch Decl., Exh. #2.

1 exceed that imposed by Judge Tashima - 84 months in custody - for
2 defendant's prior fraud. Also, a sentence of 70 months in
3 custody or less would not be stringent enough to reflect the
4 seriousness of defendant's offense or to afford adequate
5 deterrence to criminal conduct. See 18 U.S.C. §§ 3553(a)(1) and
6 (2)(A), (B). Therefore, the government respectfully recommends
7 that the Court impose a sentence of 108 months in custody.⁸

8 V.

9 CONCLUSION

10 Based on the foregoing, the government respectfully
11 recommends that the Court impose a sentence of 108 months
12 imprisonment, and a three-year period of supervised release.
13

14 Dated: May 4, 2012.

15 ANDRÉ BIROTTE JR.
United States Attorney

16 ROBERT E. DUGDALE
17 Assistant United States Attorney
Chief, Criminal Division

18 

19 STEPHEN I. GOORVITCH
20 Assistant United States Attorney

21 Attorneys for Plaintiff
UNITED STATES OF AMERICA

22
23 ⁸ The government cites the aggravating factors in this case
24 only to support its recommendation of 108 months in custody and
25 to respond to defendant's request for a sentence of 70 months in
26 custody or less. The government is not arguing that the Court
27 should sentence defendant to more than 108 months in custody.
See United States v. Whitney, 673 F.3d 965, 971-72 (9th Cir.
28 2012). The government believes that a sentence of 108 months in
custody is necessary and sufficient to satisfy the dictates of 18
U.S.C. § 3553(a).

1 DECLARATION OF STEPHEN I. GOORVITCH

2 I, Stephen I. Goorvitch, declare and state as follows:

3 1. I am an Assistant U.S. Attorney in the Central District
4 of California and one of the prosecutors assigned to United
5 States v. Mark Roy Anderson, Case No. CR 11-199-PA. If called to
6 testify, I would testify to the following based on my personal
7 knowledge.

8 2. Attached are Exhibit #1 through Exhibit #3, all of
9 which are true and correct copies (with redactions) of memoranda
10 of interviews from the investigation and prosecution of the
11 above-referenced case.

12 3. Attached is Exhibit #4, which is a true and correct
13 copy of the annual report for Cannabis Science, Inc. for fiscal
14 year ended 2011, which I downloaded from the EDGAR website of the
15 U.S. Securities and Exchange Commission on May 4, 2012.

16 4. Attached is Exhibit #5, which is a true and correct
17 copy of a print-out of trading in Cannabis Science, Inc. on May
18 2, 2012 from www.marketwatch.com.

19
20 I declare under penalty of perjury that the foregoing is
21 true and correct to the best of my knowledge and belief.

22 Executed this 4th day of May 2012 in Los Angeles, California.

23
24 

25 STEPHEN I. GOORVITCH
26 Assistant United States Attorney
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EXHIBIT #1

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/02/2012

BRYAN WILLIAMS, represented by his counsel JASON WILLIAMS and NICOLE BURDETT, was advised of the official identities of the interviewing agents, including Assistant United States Attorney STEPHEN GOORVITCH along with attorneys MARC HARRIS and AMOS ("ALEX") LOWDER, defense counsel for MARK ANDERSON. After advising WILLIAMS of the nature and purpose of the interview, and pursuant to a signed proffer letter (attached herein), WILLIAMS provided the following information:

WILLIAMS gave 5.4 million dollars to MARK ANDERSON for the purchase of oil leases in Oklahoma. WILLIAMS met ANDERSON in Oklahoma specifically to see the oil leases that WILLIAMS intended to purchase. WILLIAMS observed active oil pumps on the land. WILLIAMS believed the 5.4 million dollars he gave ANDERSON was for the purchase of those Oklahoma leases. WILLIAMS gave ANDERSON the 5.4 million dollars because WILLIAMS was doing a deal with ANDERSON and WILLIAMS believed ANDERSON was in the process of purchasing the land he had seen on his Oklahoma visit.

RHONITA THORTON was present when WILLIAMS went to Oklahoma. WILLIAMS could not recall the name NONA ROACH, but stated that he met a few other people on his trip, whose names he could not recall. The entire 5.4 million dollars WILLIAMS gave ANDERSON was for the purchase of land oil leases. WILLIAMS could not recall the company Redfork Oil.

WILLIAMS did not pay ANDERSON for consulting services and none of the 5.4 million dollars wired to ANDERSON was to pay for consulting services. ANDERSON helped WILLIAMS set up his company, Bronald Oil, and assisted WILLIAMS with setting up his company website. WILLIAMS set up his own company bank account. ANDERSON and WILLIAMS spoke about the oil business and WILLIAMS was given some books and dvds to review. Prior to WILLIAMS wiring the 5.4 million dollars, ANDERSON told WILLIAMS that he had done business in the oil industry for approximately 20 years.

WILLIAMS did not receive anything in return for his 5.4 million dollars. WILLIAMS did not receive the oil leases he purchased and believed this was a fraud. ANDERSON gave WILLIAMS many excuses over several weeks and months for not providing

Investigation on 05/01/2012 at Los Angeles, California (telephonically)

File # 318E-LA-251462 Date dictated 05/02/2012

by SA Allison Powojski

FD-302a (Rev. 10-6-95)

318E-LA-251462

Continuation of FD-302 of BRYAN WILLIAMS, On 05/01/2012, Page 2

WILLIAMS with the leases. At some point, WILLIAMS realized this was a game. WILLIAMS never had a chance to speak to ANDERSON to request his money back after finding out the deal was a just a game.

If WILLIAMS had known ANDERSON had a criminal record or that Monterey Oil Company was not a profitable oil company, WILLIAMS would not have done business with ANDERSON.

WILLIAMS does not have a good relationship with THORTON because of the falling out with ANDERSON. WILLIAMS stated that THORTON brought him to ANDERSON.

MASG 044450

EXHIBIT #2

FD-302 (Rev. 10-6-95)

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 03/11/2011

NONA ROACH, cellular phone number of [REDACTED] and home phone number of [REDACTED], was advised of the official identities of the interviewing agents, including Internal Revenue Service Criminal Investigator, Special Agent MARTIN JUAREZ. After advising ROACH of the nature and purpose of the interview, she voluntarily provided the following information:

ROACH works with the Bureau of Indian Affairs (BIA) that owns the land in Osage, Oklahoma. ROACH works for a separate company, Agape, a small oil developer, that works with the BIA and helps them with oil leases and assignments for property located within Osage County. If any entity or individual wants to purchase land leases in Osage County, they must go through BIA. ROACH has worked in this industry since approximately 1997 or 1998. Some of ROACH's duties include preparing lease assignment paperwork, filing the appropriate permits, and representing potential assignees at BIA auctions and helping entities nominate leases for purchase.

ROACH learned of MARK ROY ANDERSON through RICK COOLY who had worked with ROACH in approximately 2006 or 2007 when acquiring oil lease assignments. COOLY owned a company called Pemco. COOLY would acquire oil leases and find investors who were interested oil assignments. In 2008, COOLY wanted ROACH to prepare paperwork to transfer some of COOLY's oil leases in Osage to ANDERSON. At the time, ANDERSON was operating under a company called Sunset Oil. ROACH said she believed the transfer deal never went through because in April 2008, ANDERSON re-attempted to get the transfer from COOLY to go through BIA.

Requests for assignments are taken to the BIA. Proper procedure would require COOLY to pick up the assignment documents and get them notarized before the BIA approved the transfer and gave title to the new owner(s). ELLEN Last Name Unknown, [REDACTED] at BIA, records the assignments. ROACH did not believe the COOLY assignment went through because all the requirements were not fulfilled.

At one point in 2008, ANDERSON wanted to hire ROACH to help him acquire oil leases in Osage through BIA. ANDERSON sent ROACH a contract using the company Freemont. ANDERSON told her

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Continuation of FD-302 of

NONA ROACH

, On 03/02/2011, Page 2

that COOLY was getting the drilling permits for ANDERSON. Once assignment of land was approved by the BIA, the owner was required to get drilling permits to actually excavate oil on the land. In order to drill, the owner needs to get approval from several agencies including the Army Core of Engineers among others. ROACH later found out from COOLY, that ANDERSON had committed to buying a number of leases but never produced the earnest money or bond (approximately \$50,000) to secure the leaseholds.

ROACH stated that ANDERSON had previously acquired approximately 29 leases from COOLY. Each lease included 160 acres of land in Osage. ANDERSON had acquired these leases through his company Sunset Oil Partners. The land was vacant and some of the quarter sections were located in a lake. ROACH stated that ANDERSON did not have any oil pumps on the land and never made any money from the land. ANDERSON did not excavate any of his 29 leases for oil.

STEVEN SHELLY CORNELIUS and DAVID R. COAST were selling a combined total of approximately five quarter sections of leased land in Osage and Roger County. Each quarter section consisted of approximately 160 acres. The five quarter sections were approximately 800 acres of land, with 320 acres located in Osage County. In approximately June 2008, ANDERSON told ROACH he was looking to purchase this land from CORNELIUS and COAST and wanted her to help facilitate the deal.

On or about Friday afternoon, July 11, 2008, ROACH met up with ANDERSON who had arrived in Osage with RHONITA THORTON and an unidentified white male in his mid 30's. The group went to the BIA office to speak with ELLEN LNU in order to start the paperwork allowing ANDERSON to nominate leases for potential purchase.

The following day, Saturday July 12, 2008, ROACH accompanied ANDERSON on a tour of some of the oil fields in Osage. CORNELIUS and THORTON picked up [REDACTED] BRYAN WILLIAMS and his brother (collectively "WILLIAMS brothers") who arrived in Osage, [REDACTED]. ANDERSON, ROACH and CORNELIUS drove in a separate car. ANDERSON requested that ROACH take everyone out to CORNELIUS' and COAST's Osage leases. CORNELIUS' and COAST's leases had active pump jacks on the land. ROACH stayed behind in the car, while ANDERSON, along with THORTON and the WILLIAMS brothers got out and walked out to the pump jacks on the field. ROACH observed ANDERSON and his group taking pictures of a hole in the ground and pointing out pump jacks to the group.

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Continuation of FD-302 of NONA ROACH, On 03/02/2011, Page 3

ROACH found it odd that ANDERSON never requested that ROACH drive the group out to the 29 leases that ANDERSON actually owned as part of the tour. ROACH dismissed the thought because she believed ANDERSON and his group must have been interested in acquiring leases from CORNELIUS and COAST. ROACH found it peculiar that at one point, COAST, who seemed a little tired of ANDERSON's behavior, had removed a blacktop valve on one of his leases. The removal of the valve caused a noise and scared ANDERSON. ROACH thought it was odd that ANDERSON, who was supposedly an expert in the oil field, would be genuinely frightened by the valve top removal.

Following the July meeting, ANDERSON wanted ROACH to represent him in the purchase of approximately 200-300 leases. Specifically, ANDERSON was looking to pay \$3,250 per lease. ANDERSON already owed ROACH approximately \$11,000 for her services. ROACH wanted to be paid before she continued to help ANDERSON acquire additional leases. On or about July 18, 2008 ANDERSON faxed ROACH a document showing that he had wired the \$11,000 from his Camden Holdings account to ROACH. This document was from the company Forte Inc. with an office address on Wilshire Blvd. The fax was sent from LILLY LNU from fax # [REDACTED] to ROACH at [REDACTED]. ANDERSON faxed ROACH three times showing that he had in fact transferred the money to ROACH's account. The faxes showed the wiring details from ANDERSON to ROACH. ROACH received a fax dated on or about August 20, 2008 from Finance Law Group signed by T.A. MALONEY ROACH stating the wire details for the \$11,000. The wires never went through to ROACH's account. ROACH filed a lien against ANDERSON's leases for her unpaid bills.

ROACH recalled that she helped ALLEN STEVENS prepare a lien against ANDERSON's 29 leases for money that ANDERSON owed him for his surveying work. The surveyor goes out to the sites and places spot markers or stakes next to the road to show which leases are acquired. ANDERSON did not pay STEVENS for this work.

ANDERSON asked ROACH to pick any random leases to nominate for ANDERSON to purchase. ROACH thought this was very peculiar considering ANDERSON held himself out as an expert in the oil industry. ANDERSON claimed that he would put up the earnest money to secure the leases. He stated that he would FedEx a check to BIA for the lease. ROACH stated that she would not represent ANDERSON until he paid her. ANDERSON said he FedExed the check and had a man name JOHN LONG JR. go to BIA to nominate the leases for ANDERSON's purchase. ROACH told ANDERSON that if he did not pay

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NONA ROACH

, On 03/02/2011 , Page 4

her, she would go to the BIA and tell them that he didn't pay his bills and BIA would then reject his lease nomination. ROACH believed that the FedEx check that ANDERSON was sending as the earnest money for the purchase would be fraudulent. ROACH picked up the FedEx check and was going to turn the check over to the BIA as evidence of ANDERSON's fraudulent conduct. ROACH received multiple calls from ANDERSON stating that he had reported the check as stolen.

ROACH went to the BIA and the Mineral Counsel to present evidence of ANDERSON's fraudulent activities. ROACH kept the FedEx check. After the BIA looked into the situation, the Mineral Counsel for the BIA barred ANDERSON and his affiliated entities and akas (aka RON LAURENCE, Sunset Partners, Brighton Oil, Westar, and others) from obtaining any future leases in Osage County. ANDERSON's original 29 leases expired on or about February 18, 2008.

ROACH stated that ANDERSON did nothing to develop his leases. ROACH believed ANDERSON never got oil permits for his leases, never had pump jacks, did not use an operating company to run the oil development, and never obtained active mineral reports. In fact, ANDERSON had received an initial oil reserve report on the land showing that it was not profitable. ROACH later received a communication from COOLY stating that he (COOLY) had seen a petroleum report that ANDERSON had altered showing inflated reserve numbers.

ROACH stated that COOLY and the company Osage Energy were being investigated by the Secret Service. Her contact at the Secret Service was ROBERT IBOUX at [REDACTED]. ROACH recalled ANDERSON telling her that he was a partner in Osage Energy. ROACH, based on her conversations with IBOUX, knew that ANDERSON was not a partner in the company. ASHVIN MASCARENHAS was a contact at Osage Energy who could confirm that ANDERSON was not a partner and had been puffing information about leases.

ROACH was aware of an investigation of the company, Terax Energy. According to ROACH, a man named RON ACHS from Texas was suing COOLY over Osage leases. These were the same leases where ANDERSON was trying to assign (6 of his 29 leases) to a company, Jed Oil, Inc. ANDERSON was trying to assign these leases in approximately March 2008. ROACH mentioned that a man named TOM THRALLS got involved with ANDERSON in an attempt to promote and sell ANDERSON's 29 leases. ANDERSON was involved with a company

MASG 044445

FD-302a (Rev. 10-6-95)

318E-LA-251462

Continuation of FD-302 of NONA ROACH, On 03/02/2011, Page 5

Geo Prospects Partners in the promotion and sale of his leases.

ROACH recalled a potential buyer, a man named DON ANDREE, who wanted to see the wells that were on ANDERSON's acreage, but there were no wells to see. ROACH provided the following contact information: TOM THRALLS at [REDACTED] RON ACHS at [REDACTED]

ROACH stated that the company Monterey Oil did not exist although it had a website stating the office was located in Tulsa, Oklahoma.

MASG 044446

EXHIBIT #3

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/26/2012

NONA ROACH, cellular phone number of [REDACTED] was advised of the official identities of the interviewing agents, including Assistant United States Attorney STEPHEN GOORVITCH and Internal Revenue Service Criminal Investigator, Special Agent MARTIN JUAREZ. After advising ROACH of the nature and purpose of the interview, she voluntarily provided the following information:

ROACH, who confirmed with ELLEN Last Name Unknown (LNU) of the Bureau of Indian Affairs in Osage County, Oklahoma, telephone number [REDACTED] stated that a company Redfork Oil Partners did not own or operate any oil leases in Osage County.

The interviewing agents provided ROACH with a copy of a Purchase and Sale Agreement [REDACTED], dated September 4, 2008 (a copy of which is attached herein). ROACH reviewed the Purchase and Sale Agreement, including Exhibit A of the agreement which provided the lease descriptions, referred to as the "assets" for sale in the agreement.

ROACH noted the following problems with the Purchase and Sale Agreement: (1) Redfork Oil Partners did not own any of the assets (leases) listed in Exhibit A; (2) the legal descriptions provided in Exhibit A were not valid legal descriptions; (3) two quarter sections of Sections 23 and 24 listed on Exhibit A were in fact owned and operated by her client, SONNY CARPENTER; (4) the Purchase and Sale Agreement itself was not the proper legal document to be used in a sale or assignment of leases in Osage County as the BIA authorizes sales and assignments and requires completion of BIA forms.

ROACH stated that in September 2008 ANDERSON, through his company Sunset Energy, owned leases in the northeast quarter sections of Exhibit A sections 15, 23, and possibly 24. Each Section consists of 640 acres and are delineated by quarter sections consisting of 160 acres each. ROACH could not confirm at the time of the interview, but believed ANDERSON's leases (14 month leases) expired in or about February 2009. The BIA only approves lease extensions on acreage that shows some development. ANDERSON did not show any production on his leases.

Investigation on 04/25/2012 at Los Angeles, California

File # 318E-LA-251462

Date dictated 04/26/2012

by SA Allison Powojski

318E-LA-251462

Continuation of FD-302 of NONA ROACH, On 04/25/2012, Page 2

ROACH had not heard of the drilling company Geo Prospectors Partners. ROACH never heard of the name ALEX SORIS, listed as the General Partner for Redfork Oil Partners listed in the Purchase and Sale Agreement. ROACH did not know SORIS to be associated with any of the lease descriptions listed in Exhibit A.

ROACH stated that in total, in 2008, ANDERSON and his company Sunset Energy, controlled approximately 160 acres of land consisting of 23 leases. Many of ANDERSON's leases were located in a lake and ANDERSON never showed any production on any of his leases. ROACH noted that ANDERSON had nominated 60 additional leases for which he enlisted ROACH to represent him in Osage and secure for him. ROACH refused to do any further work for ANDERSON unless he paid the outstanding bill for her previous services. ROACH told ANDERSON that she would go to the BIA Minerals Board and report ANDERSON's refusal to pay her. ROACH did go to the BIA and reported ANDERSON. The BIA Minerals Board voted to not allow ANDERSON to purchase any further leases in Osage County with the exception of 6 he currently owned.

ROACH stated that a company called Chaparell (Ph) currently operates some of the leases ANDERSON once controlled in Osage County and active wells exist on a portion of those acres.

During the time ANDERSON owned leases in Osage County, in approximately 2008, there is no record of any production with respect to those leases, which would include plotting the land and showing accurate elevation levels and obtaining permits from the BIA to operated wells and begin drilling. ROACH believed that ANDERSON's leases were undeveloped and worthless.

ROACH recalled that ANDERSON came to Osage and took the WILLIAMS brothers, along with their representative RHONITA THORTON, out to some of the oil leases in Osage County. ROACH was present on this tour. ROACH stated that the leases ANDERSON showed the WILLIAMS brothers were productive leases owned and operated by STEVEN SHELLY CORNELIUS. They were not the leases ANDERSON owned. ROACH was in her car when ANDERSON took the WILLIAMS brothers and THORTON to walk out on the land and did not specifically hear ANDERSON say who owned the land.

ROACH was under the impression that ANDERSON came to Osage to purchase leases and was not expecting the WILLIAMS brothers and their representatives to be there. It was a surprise to ROACH when the WILLIAMS brother's ~~showed up~~ showed up.

EXHIBIT #4

10-K 1 csi10k2011.htm FORM 10-K

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-28911

CANNABIS SCIENCE, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction of Incorporation of Organization)

91-1869677
(I.R.S. Employer Identification No.)

6946 N Academy Blvd, Suite B #254
Colorado Springs, CO 80918

(Address of principal executive offices) (ZIP Code)

(888) 889-0888
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant as required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ **Smaller reporting company ☒**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No ☒

As of June 30, 2011 [this is supposed to be the most recent 2nd quarter so it shouldn't be updated], which was the last business day of the registrant's most recent second fiscal quarter, the aggregate market value of the registrant's

Common Stock held by non-affiliates of the registrant was \$5,271,983 based on the closing sale price of \$0.04 per share on that date. For the purposes of the foregoing calculation only, all directors, executive officers, related parties and holders of more than 10% of the issued and outstanding common stock of the registrant have been deemed affiliates.

Number of common shares outstanding at April 16, 2012: 384,670,574

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Forward-looking Statements

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable laws, including the securities laws of the United States, we do not intend to update any of the forward-looking statements so as to conform these statements to actual results.

As used in this annual report, the terms "we", "us", "our", "the Company", and "Cannabis Science" mean Cannabis Science, Inc., unless otherwise indicated.

All dollar amounts refer to U.S. dollars unless otherwise indicated.

Overview

Cannabis Science, Inc. (formerly Gulf Onshore, Inc.) ("We", "us" or "the Company"), was incorporated under the laws of the State of Colorado, on February 29, 1996, as Patriot Holdings, Inc. On August 26, 1999, the Company changed its name to National Healthcare Technology, Inc., and commenced a business plan to develop Magkelate, a patented intravenous drug developed to re-establish normal electrolyte balance in ischemic tissue and certain other patents for medical instruments and medical instrument technology. On January 14, 2000, the Company filed its Form 10SB12G. In 2002, the Company ceased its medical technology business following the death of Magkelate's inventor. The Company conducted no substantial business until 2005.

In July 2005, the Company acquired Es3, Inc., a Nevada Corporation ("Es3"), pursuant to the terms of an Exchange Agreement (the "Exchange Agreement") by and among the Company, Crown Partners, Inc., a Nevada corporation ("Crown Partners"), Es3, and certain stockholders of Es3 (the "Es3 Stockholders"). Under the terms of the Exchange Agreement, the Company acquired all of the outstanding capital stock of Es3 in exchange for the issuance of 191,828 shares of the Company's common stock (adjusted for splits) to the Es3 Stockholders, Crown Partners and certain consultants. The transactions effected by the Exchange Agreement were accounted for as a reverse merger, and recapitalization. In addition, the Company changed its accounting year-end from September 30 to December 31, which was Es3's accounting year-end. The Company then commenced business manufacturing and marketing products under the name Special Stone Surfaces. The Company sold its shares in Es3 in October 2005, and thereafter conducted no substantial business until 2006.

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On April 3, 2006, the Company acquired a group of oil and gas leases in Oklahoma in exchange for issuance of common stock and commenced the business of oil and gas exploration and production, mineral lease purchasing and all activities associated with acquiring, operating and maintaining the assets of such operations. On June 6, 2007, the Company changed its name from National Healthcare Technology, Inc., to Brighton Oil & Gas, Inc., and converted to a Nevada corporation. The Company acquired additional oil and gas leases during 2007, all for issuance of common stock; in October 2007, the Company acquired leases from K & D Equity Investments, Inc., a Texas corporation in a transaction that effected a change of control, with K & D acquiring a majority stake in the Company. The Company also entered into a Line of Credit Agreement with South Beach Live, Inc., a Florida corporation, to provide it with working capital of up to \$100,000 on a revolving credit line. The Agreement permitted South Beach the right to repayment on demand, or to convert amounts owed for shares.

On March 25, 2008 the Company changed its name to Gulf Onshore, Inc. On June 6, 2008, the Company entered into an Asset Acquisition Agreement with K & D to acquire additional leases (the "Leases") in exchange for common stock and a Stock Purchase Agreement ("SPA") with South Beach Live, Inc., a Florida corporation, to purchase 100% of the common shares of Curado Energy Resources, Inc., a Texas corporation ("Curado"). Curado is registered with the Texas Railroad Commission as an oil and gas well operator, and is the operator for the Leases. The Company acquired the Leases into Curado, in exchange for shares issued to K & D. The Company issued South Beach a promissory note for \$250,000, payable in 1 year at 10% interest, which was guaranteed by Curado. The Company consolidated the operations of Curado commencing in 3Q 2008.

In August 2008, the Company granted South Beach a security interest in its Curado shares and the Curado assets, in exchange for concessions from South Beach regarding further cash advances and future stock conversions. This transaction was contemplated and further consummated by the Company due to declining oil prices throughout 3Q 2008 and increased operating costs, which made continued oil and gas operations on the Leases unprofitable. The Company was also continually drawing down on its Line of Credit Agreement with South Beach that created unsustainable working capital pressure.

On October 6, 2008, in the face of further oil price declines and general economic conditions, the Company and South Beach entered into an Accord and Satisfaction Agreement under which the Company surrendered its interest in the Putnam "M" oil and gas lease in Throckmorton Co., Texas in exchange for a complete release on the Promissory Note and Line of Credit. In addition, the Company waived any claim on the shares of Curado common stock that secured the Promissory Note or the assets of Curado. South Beach then made claim against Curado under the guarantee agreement and then exercised its rights under the collateral agreement. As a result, the Company's 4Q 2008, financial statements reflected the foreclosure of Curado and its assets, and furthermore that the Company has, once again, become a Development Stage Company seeking a new business partner or acquisition. A Form 8-K reflecting this transaction was timely filed.

On March 30, 2009, the Company entered into an agreement with Cannex Therapeutics, LLC, ("Cannex") a California limited liability company, and its principal, medical cannabis pioneer and entrepreneur Steven W. Kubby, to acquire all of their interest in certain assets used to conduct a cannabis research and development business. The asset purchase agreement includes all of Cannex's and Kubby's intellectual property rights, formulas, patents, trademarks, client base, hardware and software, including the website www.phytiva.com. The Company and its largest stockholder, K & D Equities, Inc., exchanged a total of 10,600,000 shares of common stock for the assets of Cannex; the Company issued 2,100,000 shares to Cannex, and K & D transferred 8,500,000 shares to Cannex and others. A Form 8-K reflecting this transaction was timely filed. Please see Note 1 to the financial statements.

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As part of the Agreement, on April 1, 2009, the Company appointed Mr. Kubby as President and CEO, Richard Cowan as Director and CFO, and Robert Melamede Ph. D., as Director and Chief Science Officer. Each of them was also appointed as a director. All of the Company's current directors then resigned. On April 7, 2009, the Company changed its name to Cannabis Science, Inc., and obtained a new CUSIP number. Its shares now trade under the symbol CBIS.OB. A Form 8-K was timely filed, with a copy of the Asset Acquisition Agreement and Board Resolution ratifying the Agreement provided as exhibits thereto.

On April 7, 2009, the Company changed its name to Cannabis Science, Inc., reflecting its new business mission: Cannabis Science, Inc. is at the forefront of medical marijuana research and development. The Company works with world authorities on phytocannabinoid science targeting critical illnesses, and adheres to scientific methodologies to develop, produce, and commercialize phytocannabinoid-based pharmaceutical products. In sum, we are dedicated to the creation of cannabis-based medicines, both with and without psychoactive properties, to treat disease and the symptoms of disease, as well as for general health maintenance. The Company obtained a new CUSIP number as well. Cannabis Science Inc. has also launched its new website www.cannabisscience.com reflecting its new name.

On May 7, 2009 the Company common shares commenced trading under the new stock symbol OTCBB: CBIS.

On August 18, 2010, the Company entered into a license agreement with Rockbrook, Inc. to license its proprietary medical cannabis products and delivery methods. Rockbrook is a licensed Colorado medical marijuana dispensary. Under the license agreement, Rockbrook will pay license fees to Cannabis Science throughout the course of its operation. As of December 31, 2011, the Company is re-assessing the license agreement with Rockbrook and how to move forward in a cohesive arrangement with the other license agreements and acquisitions the Company is working on.

On February 9, 2012, the Company signed a license agreement with Apothecary Genetics Investments LLC. to produce several Cannabis Science Brand Formulations for the California medical cannabis market. As well, Apothecary will provide research and development facilities with full circle operations including a California laboratory facility for internal research and development, along with 16 unique genetic strains specifically generated and maintained by a cancer survivor who recognizes the importance of proper growth and breeding. In consideration of this agreement, on January 1, 2012, the Company entered into a 25 year management agreement with Dr. Mohammad Afaneh to act Chief Operating Officer of Cannabis Science, Inc. Dr. Afaneh received 28,500,000 common shares valued at \$299,250 under this agreement. In addition, on February 10, 2012, Dr. Afaneh signed a management bonus agreement where he received 5,000,000 common shares valued at \$185,000 as a signing bonus for entering into his management agreement. In addition, on January 1, 2012, the Company entered into a 25 year management agreement with Bret Bogue to act as Director of Horticulture and head of research and development. Mr. Bogue received 28,500,000 common shares valued at \$299,250 under this agreement. In addition, on February 10, 2012, Mr. Bogue signed a management bonus agreement where he received 5,000,000 common shares valued at \$185,000 as a signing bonus for entering into his management agreement.

On February 9, 2012, the Company acquired GGECO University, Inc. ("GGECO"), an online video-based medical cannabis education system, offering courses dealing with medical cannabis law, the benefits of medical marijuana, cooking, horticulture, and bud tending. Following the university's name change to Cannabis Science University, the Company hopes to use this platform to educate the general public, patients, and even those who have already been involved in the medical cannabis industry on the medical benefits of cannabis, how it is grown, how to use it safely, and the many applications or ways to administer the medication. In consideration of this agreement, the Company issued 25,000,000 common shares to the principals of GGECO.

On March 21, 2012, the Company acquired Cannabis Consulting Inc. ("CCI Group"), which consists of a group of businesses operated by Robert J. Kane, including: all contracted rights, properties, patents, trademarks, and distribution rights and agreements pertaining to Cannabis Consulting Inc., Robert Kane

Partners, Kaneabis Consulting, Kaneabis Fund, Kaneabis Report, and Kaneabis Radio. In conjunction with the acquisitions, Robert Kane was promoted to V.P. of Investor Relations for the Company. Consideration paid for the CCI Group was 1,000,000 common shares to issued to the principal, Mr. Robert Kane.

The Company is in the development stage as defined in Accounting Standards Codification ("ASC") Topic 915.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. PROPERTIES

We currently lease a laboratory and office space at 6946 N Academy Blvd, Suite B #254, Colorado Springs, CO 80918, on a month to month basis.

ITEM 3. LEGAL PROCEEDINGS

As of April 16, 2012, there are not any material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we or any of our subsidiaries, GGECO or CCI Group, are a party or of which any of our properties is the subject. Also, our management is not aware of any legal proceedings contemplated by any governmental authority against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is not traded on any exchange. Our common stock is quoted on the OTC Bulletin Board, under the trading symbol "CBIS.OB". The market for our stock is highly volatile. We cannot assure you that there will be a market in the future for our common stock. The OTC Bulletin Board securities are not listed and traded on the floor of an organized national or regional stock exchange. Instead, OTC Bulletin Board securities transactions are conducted through a telephone and computer network connecting dealers in stocks. OTC Bulletin Board stocks are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange. The following table shows the high and low prices of our common shares on the OTC Bulletin Board for each quarter within the two most recent fiscal years. The following quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions:

<u>Fiscal Year Ending December 2010</u>	<u>HIGH</u>	<u>LOW</u>
Quarter Ending March 31, 2010	0.44	0.21
Quarter Ending June 30, 2010	0.25	0.10
Quarter Ending September 30, 2010	0.11	0.04
Quarter Ending December 31, 2010	0.26	0.04
<u>Fiscal Year Ending December 2011</u>	<u>HIGH</u>	<u>LOW</u>
Quarter Ending March 31, 2011	0.14	0.03
Quarter Ending June 30, 2011	0.09	0.04
Quarter Ending September 30, 2011	0.06	0.02
Quarter Ending December 31, 2011	0.03	0.01

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Holders

As of December 31, 2011, there were 235 stockholders of record, including CEDE & Co., which holds shares for the beneficial interest of an unknown number of stockholders in brokerage accounts.

Dividends

We have not declared or paid cash dividends or made distributions in the past, and we do not anticipate that we will pay cash dividends or make distributions in the foreseeable future. We currently intend to retain and reinvest future earnings, if any, to finance and expand our operations.

Recent Sales of Unregistered Securities

During the fiscal year ended December 31, 2011, we did not sell any shares in unregistered offerings

As set out below, we have issued securities in exchange for services, properties and for debt, using exemptions available under the Securities Act of 1933.

During the three months ended December 31, 2011, the Company entered into debt settlement agreements with several parties as follows:

On October 4, 2011, the Company issued 6,500,000 common shares from the Company's 2011 Stock Compensation Plan B to two consultants for services rendered with a fair market value of \$156,000 based on the closing price of the Company's common stock on September 28, 2011 which was \$0.024 per share.

On October 12, 2011, the Company issued 8,000,000 common shares for settlement of \$8,000 of stockholder debt, for a loss on settlement of \$168,000, assigned from the stockholder note payable originating on July 15, 2010 and July 30, 2010, and owing at December 31, 2010.

On October 13, 2011, the Company issued 3,000,000 common shares for settlement of \$3,000 of stockholder debt, for a loss on settlement of \$64,200, assigned from the stockholder note payable originating on March 2, 2011.

On October 13, 2011, the Company issued 4,500,000 common shares from the Company's 2011 Stock Compensation Plan B to a consultant for services rendered with a fair market value of \$100,800 based on the closing price of the Company's common stock on October 11, 2011 which was \$0.0224 per share.

On October 26, 2011, the Company issued 5,800,000 common shares for settlement of \$5,800 of stockholder debt, for a loss on settlement of \$165,200, assigned from the stockholder note payable originating on July 15, 2010 and August 5, 2010, and owing at December 31, 2010.

On November 4, 2011, the Company issued 30,000,000 common shares for settlement of \$30,000 of stockholder debt, for a loss on settlement of \$570,000, assigned from the stockholder note payable originating on August 16, 2010, September 2, 10, 14, and 17, 2010 and October 7 and 13, 2010, and owing at December 31, 2010.

On November 22, 2011, the Company issued 17,000,000 common shares for settlement of \$17,000 of stockholder debt, for a loss on settlement of \$323,000, assigned from the stockholder note payable originating on August 16, 2010, September 2, 10 and 14, 2010 and October 13, 2010, and owing at December 31, 2010.

On November 23, 2011, the Company issued 9,000,000 common shares for settlement of \$9,000 of stockholder debt, for a loss on settlement of \$171,000, assigned from the stockholder note payable originating on August 16, 2010, and owing at December 31, 2010.

On December 9, 2011, the Company issued 13,500,000 common shares for settlement of \$13,500 of stockholder debt, for a loss on settlement of \$256,500, assigned from the stockholder note payable originating on March 2, 2011.

On December 21, 2011, the Company issued 18,500,000 common shares for settlement of \$18,500 of stockholder debt, for a loss on settlement of \$166,500, assigned from the stockholder note payable originating on October 13, 2010 and May 18, 2011.

On December 28, 2011, the Company issued 5,500,000 common shares for settlement of \$13,500 of stockholder debt, for a loss on settlement of \$256,500, assigned from the stockholder note payable originating on March 2, 2011.

All relating shares were issued to settle the aforementioned debt.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGER'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Form 10-K, the words "anticipate", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions including the possibility that the Company's proposed plan of operation will fail to generate projected revenues. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. The Company's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in the Company's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.

General

In Q1 of 2008, the Company acquired all of the assets of Cannex Therapeutics, LLC from Cannex and Steven W. Kubby, and committed to the research and development of cannabis based medical products. The Company owns intellectual property related to a whole cannabis extract lozenge, which has demonstrated some efficacy in non-blind informal testing. Other research indicates that cannabis extracts available in non-smoked forms, including lozenges and topical creams, may have medicinal uses in treating a variety of diseases, the symptoms of those diseases, and for analgesic purposes.

The Company is committed to research and development of cannabis extract medicines ("product") and intends to pursue Independent New Drug certification, possibly under the Orphan Drug Act, for such treatments but faces two significant challenges in accomplishing this business objective, namely financing and government regulation.

The Company is undercapitalized, and will be reliant on outside financing from sales of securities or issuance of debt instruments. Management expects many traditional lenders will be reluctant to provide the Company with capital in light of its financial condition and the nature of its expected business; so that any financing activities will likely be expensive and result in dilution to stockholders of the Company. In this regard, it should be noted that the Asset Acquisition Agreement among Cannex, the Company and K & D Equity Investments, Inc. contains non-dilution provisions that provided additional shares to K & D in the event our shares are sold privately for less than \$1.00 per share. The Company can make no representation that financing for its business will be available, regardless of cost.

Furthermore, although cannabis has been used for medicinal purposes for over 5,000 years, there is a significant prejudice against development of smoked cannabis medical products amongst the medical and law enforcement communities. In spite of recent statements by the current administration that indicate a softening of these views, marijuana is still classified as a controlled substance. The Company can provide no assurances that it can develop and market its intended product, or how long government approval, if obtained, will take.

Recent Developments

Cannabis Science is laying a solid foundation for entrance into the FDA and other government regulatory agencies for developing medicines for cancer, autism, Influenza, PTSD and other ailments.

The Company's goal is not the legalization of marijuana, but instead the development of FDA-approved and legal non-smoked cannabis-based medicines. The Company faces not only the challenges of other business at an early stage of development, but special problems arising from the nature of its own business. Notwithstanding, stockholders and prospective stockholders should recognize that any investment in our Company is risky and speculative, and could result in a total loss.

Results of Operations

Limited Revenues

Since our inception on January 27, 2005 to December 31, 2011, we have earned limited revenues of \$90,107. During the fiscal year ended December 31, 2011 we generated license revenues of \$73,702. As of December 31, 2011, we had an accumulated deficit of \$70,536,669. At this time, our ability to generate any significant revenues continues to be uncertain. There is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Net Loss

We incurred a net loss of \$70,513,417 since January 27, 2005 (date of inception) to December 31, 2011. Our net loss increased, from \$8,153,680 for the fiscal year ended December 31, 2010 to \$8,339,044 for the fiscal year ended December 31, 2011, an increase of \$185,364. For the fiscal year ended December 31, 2011, our net loss per share was \$0.05, compared to a net loss per share of \$0.13 per share for the fiscal year ended December 31, 2010.

Expenses

Our total expenses from January 27, 2005 (date of inception) to December 31, 2011 were \$67,050,723 and consisted of \$1,206,974 in investor relations, \$32,806,677 in professional fees, \$160,417 in technology license royalties, \$5,089,811 in impairment of oil and gas well lease, \$4,870,337 in net gain on settlement of liabilities, \$81,582 in depreciation and amortization and \$22,834,925 in general and administrative fees. Total expenses increased \$221,547 to \$8,412,158 for the fiscal year ended December 31, 2011 from total expenses of \$8,190,611 for the same period in 2010.

Our investor relations expenses increased \$24,680 to \$86,182 for the fiscal year ended December 31, 2011 from \$61,502 for the same period in 2010. This was due to increased stock related compensation for investor relations engagements in 2011 from 2010.

Our professional fees decreased \$16,599 to \$118,749 for the fiscal year ended December 31, 2011 from \$135,348 for the same period in 2010 due to decreased securities filing activity.

The loss on settlement of liabilities increased \$347,450 to \$5,129,800 for the year ended December 31, 2011 from \$4,782,350 in 2010. This increase was due to increased settlement of debt through stock and resulting losses on the settlements.

Our general and administrative expenses decreased by \$129,056 from \$3,184,121 for the fiscal year ended December 31, 2010 to \$3,055,065 for the same period ended December 31, 2011. The decrease in general and administrative expenses was mainly due to an decrease in management and consulting fees for executives of the Company and consultants. Other general and administrative expenses consist of advertising, office supplies, transfer agent costs, travel expenses, rent, communication expenses (cellular, internet, fax, and telephone), office maintenance, courier and postage costs and office equipment.

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Liquidity and Capital Resources

As of December 31, 2011, our current assets totaled \$5,325 which was comprised of \$2,197 in cash and cash equivalents and \$3,128 in prepaid expenses and deposits. As of December 31, 2011, we had \$47,588 in intangible assets, net of accumulated amortization, \$6,666 in long-term deposits, and \$967 in property and equipment, net of accumulated depreciation. As of December 31, 2011 we had a working capital deficit of \$2,285,621.

Our net loss of \$70,573,417 from January 27, 2005 (date of inception) to December 31, 2011 was mostly funded by debt financing. We expect to incur substantial losses over the next two years. During the fiscal year ended December 31, 2011 our cash position increased slightly by \$1,007.

During the fiscal year ended December 31, 2011, we received net cash of \$237,480 from financing activities compared to \$343,437 for the same period in 2010. We used net cash of \$236,473 in operating activities compared to \$341,876 for the same period in 2010. And we used net cash of \$0 in investing activities compared for the fiscal year ended December 31, 2011 compared to \$614 for the same period in 2010.

We are currently not in good short-term financial standing. We anticipate that we may only generate any limited revenues in the near future and we will not have enough positive internal operating cash flow until we can generate substantial revenues, which may take the next two years to fully realize. There is no assurance we will achieve profitable operations. We have historically financed our operations primarily by cash flows generated from the sale of our equity securities and through cash infusions from officers and outside investors in exchange for debt and/or common stock.

Business Development

Our business and product development will follow two parallel paths. We will create cannabis pharmaceuticals with and without psychoactive properties. Both of these lines will have numerous proven health benefits for treating autism, blood pressure, cancer and cancer side effects, along with other illnesses, including for general health maintenance.

We are positioned to pursue the development of phytocannabinoid-based pharmaceutical grade products. The endocannabinoid system normally regulates blood pressure through its capacity to dilate blood vessels and reduce adrenergic stimuli. Additionally, there is a developing body of evidence that shows both the tumor killing properties of endo- and phyto- cannabinoids, and their ability to inhibit metastasis in a variety of cancers.

The Company is working to navigate the regulatory framework for its phytocannabinoid science towards developing cannabis-based therapeutics that will holistically promote health by restoring biochemical balance. By adhering to underlying scientific principles, the Company will manipulate all-pervasive phytocannabinoid processes to target a variety of disparate illnesses.

Cannabis Science is also positioning to explore insights that indicate an intrinsic link between novel cancer and HIV technologies and the cannabinoid system; with the goal of demonstrating that our pharmaceuticals will enhance biochemical markers that are indicative of a successful HIV therapy based on recent paradigm breaking discoveries.

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The Company is currently focused on FDA approval of its first medical cannabis product targeted for veterans. Many veterans are already using herbal cannabis to self-medicate to relieve the symptoms of PTSD. Consequently, there is a clear need for standardized, FDA approved, oral cannabis products which can, and should be, provided to veterans and others who can benefit from its use. Medical cannabis has far fewer and milder side effects than most currently prescribed pharmaceutical products do. We are working hard to have one or more products ready for FDA clinical trials as soon as possible.

On February 9, 2012, the Company signed a license agreement with Apothecary to produce several Cannabis Science Brand Formulations for the California medical cannabis market. As well, Apothecary will provide research and development facilities with full circle operations including a California laboratory facility for internal research and development, along with 16 unique genetic strains specifically generated and maintained by a cancer survivor who recognizes the importance of proper growth and breeding.

On February 9, 2012, the Company acquired GGECO University, Inc. ("GGECO"), an online video-based medical cannabis education system, offering courses dealing with medical cannabis law, the benefits of medical marijuana, cooking, horticulture, and bud tending. Following the university's name change to Cannabis Science University, the Company hopes to use this platform to educate the general public, patients, and even those who have already been involved in the medical cannabis industry on the medical benefits of cannabis, how it is grown, how to use it safely, and the many applications or ways to administer the medication. In consideration of this agreement, the Company issued 25,000,000 common shares to the principals of GGECO.

On March 21, 2012, the Company acquired Cannabis Consulting Inc. ("CCI Group"), which consists of a group of businesses operated by Robert J. Kane, including: all contracted rights, properties, patents, trademarks, and distribution rights and agreements pertaining to Cannabis Consulting Inc., Robert Kane Partners, Kaneabis Consulting, Kaneabis Fund, Kaneabis Report, and Kaneabis Radio. In conjunction with the acquisitions, Robert Kane was promoted to V.P. of Investor Relations for the Company. Consideration paid for the CCI Group was 1,000,000 common shares to issued to the principal, Mr. Robert Kane.

The Company anticipates having to raise additional capital to fund operations over the next 12 months. To the extent that it is required to raise additional funds to acquire properties, and to cover costs of operations, the Company intends to do so through additional public or private offerings of debt or equity securities.

As of December 31, 2011 the Company had two full-time employees.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CANNABIS SCIENCE, INC.

(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Cannabis Science, Inc.

We have audited the accompanying balance sheets of Cannabis Science, Inc. (the "Company") (a development stage company) as of December 31, 2011 and 2010 and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended, and for the period January 27, 2005 (Inception) through December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cannabis Science, Inc. at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended and for the period January 27, 2005 through December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has no revenues and has a working capital deficiency, both of which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Turner, Stone & Company, L.L.P.

Certified Public Accountants
Dallas, Texas
April 16, 2012

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CANNABIS SCIENCE, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	December 31, 2011 \$	December 31, 2010 \$
ASSETS		
Current assets:		
Cash	2,197	1,190
Prepaid expenses and deposits	3,128	18,009
Total current assets	5,325	19,199
Deposits	6,666	6,666
Property and equipment, net of accumulated depreciation (Note 7)	967	2,181
Intangibles, net of accumulated amortization (Note 8)	47,588	68,736
TOTAL ASSETS	60,546	96,782
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	476,590	393,753
Accrued expenses, primarily management fees	1,163,126	375,000
Advances from related parties	156,818	107,835
Advances from officer	-	1,807
Convertible management bonuses	300,000	300,000
Advances from stockholders	194,413	171,509
Deferred license revenue	-	73,334
Total current liabilities	2,290,947	1,423,238
Commitments and contingencies (Note 6)		
Stockholders' deficit:		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, 999,999 shares issued and outstanding at December 31, 2011 and 2010	1,000	1,000
Common stock, \$.001 par value, 850,000,000 shares authorized, 305,420,574 issued and outstanding as of December 31, 2011 and 101,170,574 at December 31, 2010	305,421	101,171
Common stock, Class A, \$.001 par value, 100,000,000 shares authorized, 0 issued and outstanding as of December 31, 2011 and 2010	-	-
Prepaid consulting	(379,156)	(1,322,630)
Additional paid-in capital	68,379,003	62,091,628
Deficit accumulated during the development stage	(70,536,669)	(62,197,625)
Total stockholders' deficit	(2,230,401)	(1,326,456)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	60,546	96,782

The accompanying notes are an integral part of these financial statements.

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CANNABIS SCIENCE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
AND THE CUMULATIVE PERIOD FROM JANUARY 27, 2005 (INCEPTION) TO DECEMBER 31, 2011

	December 31, 2011 \$	December 31, 2010 \$	Period from January 27, 2005 (inception) to December 31, 2011 \$
REVENUE	73,702	4,166	90,107
OPERATING EXPENSES			
Investor relations	86,182	73,337	1,218,809
Professional fees	118,749	135,348	32,769,929
Technology license royalties	-	-	160,417
Impairment of oil and gas well lease	-	-	5,089,811
Net loss (gain) on settlement of liabilities	5,129,800	4,647,500	4,735,487
Depreciation and amortization	22,362	27,290	81,582
General and administrative	3,055,065	3,307,135	22,957,939
Total operating expenses	8,412,158	8,190,611	67,013,974
OPERATING PROFIT (LOSS)	(8,338,456)	(8,186,445)	(66,923,867)
Other income	-	35,791	66,021
Interest expense, net	(588)	(3,026)	(153,962)
Beneficial conversion feature	-	-	(1,098,992)
INCOME (LOSS) BEFORE INCOME TAXES	(8,339,044)	(8,153,680)	(68,110,800)
Income tax provision	-	-	(2,035,065)
Income tax benefit (Note 3)	-	-	1,210,270
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(8,339,044)	(8,153,680)	(824,795)
Discontinued operations	-	-	(68,935,595)
Income tax benefit	-	-	(2,425,869)
NET INCOME (LOSS)	(8,339,044)	(8,153,680)	824,795
NET INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS - BASIC AND DILUTED	(0.05)	(0.13)	(1,601,074)
NET INCOME (LOSS) PER SHARE FROM DISCONTINUED OPERATIONS - BASIC AND DILUTED	-	-	(70,536,669)
NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED	(0.05)	(0.13)	
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	152,228,519	63,098,346	

The accompanying notes are an integral part of these financial statements.

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CANNABIS SCIENCE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF STOCKHOLDERS' EQUITY/(DEFICIT)
FOR THE PERIOD FROM JANUARY 27, 2005 (INCEPTION) TO DECEMBER 31, 2011

	Common Shares	Par \$	Preferred Shares	Par \$	Additional Paid-in Capital	Prepaid Consulting	Accumulated Deficit	Totals
Balance at January 27, 2005	-	-	-	-	-	-	-	-
Founder's Stock Issued	83,800	84	-	-	(84)	-	-	-
Stock Issued for Debt	8,000	8	-	-	399,992	-	-	400,000
Shares Issued for License Agreement	86,188	86	-	-	(86)	-	-	-
Effect of Reverse Merger	13,840	14	-	-	(200,014)	-	-	(200,000)
Divestiture of Subsidiary to Related Party	-	-	-	-	544,340	-	-	544,340
Net Loss	-	-	-	-	-	-	(807,600)	(807,600)
Balance at December 31, 2005	191,828	192	-	-	744,148	-	(807,600)	(63,260)

Shares Issued for Employment	45,500	45			8,487,455	-	-	8,487,500
Shares Issued for Services	171,080	171			28,798,329	(7,633,750)	-	21,164,750
Shares Issued for Lease Agreement	6,770	7			406,193	-	(350,200)	56,000
Net Loss	-	-			-	-	(36,906,584)	(36,906,584)
Balance at December 31, 2006	415,178	415	-	-	38,436,125	(7,633,750)	(38,064,384)	(7,261,594)
Shares Issued For Services	63,020	63			528,285	(387,500)	-	140,848
Shares Issued for Debt Conversion	350,000	350	-	-	349,650	-	-	350,000
Amortization of Beneficial Conversion Feature	-	-			1,066,657	-	-	1,066,657
Amortization of shares issued for services	-	-	-	-	-	8,021,250	-	8,021,250
Shares Issued for Properties	500,000	500			4,999,500	-	-	5,000,000
Net loss	-	-	-	-	-	-	(15,007,117)	(15,007,117)
Balance at December 31, 2007	1,328,198	1,328	-	-	45,380,217	-	(53,071,501)	(7,689,956)
Amortization of Beneficial Conversion Feature	-	-	-	-	32,335	-	-	32,335
Cancellation and Amortization of Shares	(919)	(1)	-	-	1	-	-	-
Common stock issued for cash	10,000	10	-	-	19,990	-	-	20,000
Common stock issued for debt conversion	990,000	990	-	-	98,010	-	-	99,000
Common stock issued for acquisition	10,000,000	10,000	-	-	2,490,000	-	-	2,500,000
Common stock issued for services	270,000	270	-	-	128,230	-	-	128,500
Net Income	-	-			-	-	3,559,617	3,559,617
Balance at December 31, 2008	12,597,279	12,597	-	-	48,148,783	-	(49,511,884)	(1,350,504)
Common stock issued for cash	2,522,495	2,523	-	-	197,552	-	-	200,075
Common stock issued for services	8,855,000	8,855	-	-	2,507,195	-	-	2,516,050
Cancellation of stock	(10,000)	(10)	-	-	10	-	-	-
Common stock issued for debt settlements	3,680,000	3,680	-	-	2,020,320	-	-	2,024,000
Preferred stock issued for services	-	-	999,999	1,000	-	-	-	1,000
Stock issued for assets	2,100,000	2,100			123,900	-	-	126,000
Net Loss	-	-	-	-	-	-	(4,532,061)	(4,532,061)
Balance at December 31, 2009	29,744,774	29,745	999,999	1,000	52,997,760	-	(54,043,945)	(1,015,440)
Common stock issued for cash	1,245,800	1,246	-	-	137,540	-	-	138,786
Common stock issued for services	26,680,000	26,680	-	-	3,670,978	(3,530,808)	-	166,850
Amortization of shares issued for services	-	-	-	-	-	2,208,178	-	2,208,178
Common stock issued for debt settlements	42,750,000	42,750	-	-	5,249,600	-	-	5,292,350
Common stock issued for acquisition write-off	350,000	350	-	-	36,150	-	-	36,500
Shares pending cancellation	400,000	400	-	-	(400)	-	-	-
Net Loss	-	-	-	-	-	-	(8,153,680)	(8,153,680)
Balance at December 31, 2010	101,170,574	101,171	999,999	1,000	62,091,628	(1,322,630)	(62,197,625)	(1,326,456)
Common stock issued for services	37,250,000	36,850	-	-	1,157,575	(1,146,700)	-	47,725
Amortization of shares issued for services	-	-	-	-	-	2,090,174	-	2,090,174
Common stock issued for debt settlements	167,400,000	167,400	-	-	5,129,800	-	-	5,297,200
Net Loss	-	-	-	-	-	-	(8,339,044)	(8,339,044)
Balance at December 31, 2011	305,820,574	305,421	999,999	1,000	68,379,003	(379,156)	(70,536,669)	(2,230,401)

The accompanying notes are an integral part of these financial statements.

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CANNABIS SCIENCE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
AND THE CUMULATIVE PERIOD FROM JANUARY 27, 2005 (INCEPTION) TO DECEMBER 31, 2011

	Common Shares	Par \$	Preferred Shares	Preferred Par \$	Additional Paid-in Capital \$	Prepaid Consulting	Accumulated Deficit \$	Totals \$
Balance at January 27, 2005	-	-	-	-	-	-	-	-
Founder's Stock Issued	83,800	84	-	-	(84)	-	-	-
Stock Issued for Debt	8,000	8	-	-	399,992	-	-	400,000
Shares Issued for License Agreement	86,188	86	-	-	(86)	-	-	-
Effect of Reverse Merger	13,840	14	-	-	(200,014)	-	-	(200,000)
Divestiture of Subsidiary to Related Party	-	-	-	-	544,340	-	-	544,340
Net Loss	-	-	-	-	-	-	(807,600)	(807,600)
Balance at December 31, 2005	191,828	192	-	-	744,148	-	(807,600)	(63,260)
Shares Issued for Employment	45,500	45	-	-	8,487,455	-	-	8,487,500
Shares Issued for Services	171,080	171	-	-	28,798,329	(7,633,750)	-	21,164,750
Shares Issued for Lease Agreement	6,770	7	-	-	406,193	-	(350,200)	56,000
Net Loss	-	-	-	-	-	-	(36,906,584)	(36,906,584)
Balance at December 31, 2006	415,178	415	-	-	38,436,125	(7,633,750)	(38,064,384)	(7,261,594)
Shares Issued For Services	63,020	63	-	-	528,285	(387,500)	-	140,848
Shares Issued for Debt Conversion	350,000	350	-	-	349,650	-	-	350,000
Amortization of Beneficial Conversion Feature	-	-	-	-	1,066,657	-	-	1,066,657
Amortization of shares issued for services	-	-	-	-	-	8,021,250	-	8,021,250
Shares Issued for Properties	500,000	500	-	-	4,999,500	-	-	5,000,000
Net loss	-	-	-	-	-	-	(15,007,117)	(15,007,117)
Balance at December 31, 2007	1,328,198	1,328	-	-	45,380,217	-	(53,071,501)	(7,689,956)
Amortization of Beneficial Conversion Feature	-	-	-	-	32,335	-	-	32,335
Cancellation and Amortization of Shares	(919)	(1)	-	-	1	-	-	-
Common stock issued for cash	10,000	10	-	-	19,990	-	-	20,000
Common stock issued for debt conversion	990,000	990	-	-	98,010	-	-	99,000
Common stock issued for acquisition	10,000,000	10,000	-	-	2,490,000	-	-	2,500,000
Common stock issued for services	270,000	270	-	-	128,230	-	-	128,500
Net Income	-	-	-	-	-	-	3,559,617	3,559,617
Balance at December 31, 2008	12,597,279	12,597	-	-	48,148,783	-	(49,511,884)	(1,350,504)
Common stock issued for cash	2,522,495	2,523	-	-	197,552	-	-	200,075
Common stock issued for services	8,855,000	8,855	-	-	2,507,195	-	-	2,516,050
Cancellation of stock	(10,000)	(10)	-	-	10	-	-	-
Common stock issued for debt settlements	3,680,000	3,680	-	-	2,020,320	-	-	2,024,000
Preferred stock issued for services	-	-	999,999	1,000	-	-	-	1,000
Stock issued for assets	2,100,000	2,100	-	-	123,900	-	-	126,000
Net Loss	-	-	-	-	-	-	(4,532,061)	(4,532,061)
Balance at December 31, 2009	29,744,774	29,745	999,999	1,000	52,997,760	-	(54,043,945)	(1,015,440)
Common stock issued for cash	1,245,800	1,246	-	-	137,540	-	-	138,786
Common stock issued for services	26,680,000	26,680	-	-	3,670,978	(3,530,808)	-	166,850
Amortization of shares issued for services	-	-	-	-	-	2,208,178	-	2,208,178
Common stock issued for debt settlements	42,750,000	42,750	-	-	5,249,600	-	-	5,292,350
Common stock issued for acquisition write-off	350,000	350	-	-	36,150	-	-	36,500
Shares pending cancellation	400,000	400	-	-	(400)	-	-	-
Net Loss	-	-	-	-	-	-	(8,153,680)	(8,153,680)
Balance at December 31, 2010	101,170,574	101,171	999,999	1,000	62,091,628	(1,322,630)	(62,197,625)	(1,326,456)
Common stock issued for services	37,250,000	36,850	-	-	1,157,575	(1,146,700)	-	47,725
Amortization of shares issued for services	-	-	-	-	-	2,090,174	-	2,090,174
Common stock issued for debt settlements	167,400,000	167,400	-	-	5,129,800	-	-	5,297,200
Net Loss	-	-	-	-	-	-	(8,339,044)	(8,339,044)
Balance at December 31, 2011	305,820,574	305,421	999,999	1,000	68,379,003	(379,156)	(70,536,669)	(2,230,401)

The accompanying notes are an integral part of these financial statements.

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CANNABIS SCIENCE, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and General Description of Business

Cannabis Science, Inc. ("We" or "the Company"), was incorporated under the laws of the State of Colorado, on February 29, 1996, as Patriot Holdings, Inc. On August 26, 1999, the Company changed its name to National Healthcare Technology, Inc., and commenced a business plan to develop Magkelate, a patented intravenous drug developed to re-establish normal electrolyte balance in ischemic tissue and certain other patents for medical instruments and medical instrument technology. On January 14, 2000, the Company filed its Form 10SB12G. In 2002, the Company ceased its medical technology business following the death of Magkelate's inventor. The Company conducted no substantial business until 2005.

In July 2005, the Company acquired Es3, Inc., a Nevada Corporation ("Es3"), pursuant to the terms of an Exchange Agreement (the "Exchange Agreement") by and among the Company, Crown Partners, Inc., a Nevada corporation ("Crown Partners"), Es3, and certain stockholders of Es3 (the "Es3 Stockholders"). Under the terms of the Exchange Agreement, the Company acquired all of the outstanding capital stock of Es3 in exchange for the issuance of 191,828 shares of the Company's common stock (adjusted for splits) to the Es3 Stockholders, Crown Partners and certain consultants. The transactions effected by the Exchange Agreement were accounted for as a reverse merger, and recapitalization. In addition, the Company changed its accounting year-end from September 30 to December 31, which was Es3's accounting year-end. The Company then commenced business manufacturing and marketing products under the name Special Stone Surfaces. The Company sold its shares in Es3 in October 2005, and thereafter conducted no substantial business until 2006.

On April 3, 2006, the Company acquired a group of oil and gas leases in Oklahoma in exchange for issuance of common stock and commenced the business of oil and gas exploration and production, mineral lease purchasing and all activities associated with acquiring, operating and maintaining the assets of such operations. On June 6, 2007, the Company changed its name from National Healthcare Technology, Inc., to Brighton Oil & Gas, Inc., and converted to a Nevada corporation. The Company acquired additional oil and gas leases during 2007, all for issuance of common stock; in October 2007, the Company acquired leases from K & D Equity Investments, Inc., a Texas corporation in a transaction that effected a change of control, with K & D acquiring a majority stake in the Company. The Company also entered into a Line of Credit Agreement with South Beach Live, Inc., a Florida corporation, to provide it with working capital of up to \$100,000 on a revolving credit line. The Agreement permitted South Beach the right to repayment on demand, or to convert amounts owed for shares.

On March 25, 2008, the Company changed its name to Gulf Onshore, Inc. On June 6, 2008, the Company entered into an Asset Acquisition Agreement with K & D to acquire additional leases (the "Leases") in exchange for common stock and a Stock Purchase Agreement ("SPA") with South Beach Live, Inc., a Florida corporation, to purchase 100% of the common shares of Curado Energy Resources, Inc., a Texas corporation ("Curado"). Curado is registered with the Texas Railroad Commission as an oil and gas well operator, and is the operator for the Leases. The Company acquired the Leases through Curado, in exchange for shares issued to K & D. The Company issued South Beach a promissory note for \$250,000, payable in 1 year at 10% interest, which was guaranteed by Curado. The Company consolidated the operations of Curado commencing in 3Q 2008.

In August 2008, the Company granted South Beach a security interest in its Curado shares and the Curado assets, in exchange for concessions from South Beach regarding further cash advances and future stock conversions. This transaction was contemplated and further consummated by the Company due to declining oil prices throughout 3Q 2008 and increased operating costs, which made continued oil and gas operations on the Leases unprofitable. The Company was also continually drawing down on its Line of Credit Agreement with South Beach that created unsustainable working capital pressure.

On October 6, 2008, in the face of further oil price declines and general economic conditions, the Company and South Beach entered into an Accord and Satisfaction Agreement under which the Company surrendered its interest in the Putnam "M" oil and gas lease in Throckmorton Co., Texas in exchange for a complete release on the Promissory Note and Line of Credit. In addition, the Company waived any claim on the shares of Curado common stock that secured the Promissory Note or the assets of Curado. South Beach then made claim against Curado under the guarantee agreement and then exercised its rights under the collateral agreement. As a result, the Company's 4Q 2008, financial statements reflected the disposition of Curado and its assets, and furthermore that the Company has, once again, become a Development Stage Company seeking a new business partner or acquisition. A Form 8-K reflecting this transaction was timely filed.

On March 30, 2009, the Company entered into an agreement with Cannex Therapeutics, LLC, ("Cannex") a California limited liability company, and its principal, medical cannabis pioneer and entrepreneur Steven W. Kubby, to acquire all of their interest in certain assets used to conduct a cannabis research and development business. The asset purchase agreement includes all of Cannex' and Kubby's intellectual property rights, formulas, patents, trademarks, client base, hardware and software, including the website www.phytiva.com. The Company and its largest stockholder, K & D Equities, Inc., exchanged a total of 10,600,000 shares of common stock for the assets of Cannex; the Company issued 2,100,000 shares to Cannex, and K & D transferred 8,500,000 shares to Cannex and others. A Form 8-K reflecting this transaction was timely filed.

As part of the Agreement, on April 1, 2009, the Company appointed Mr. Kubby as President and CEO, Richard Cowan as Director and CFO, and Robert Melamede Ph. D., as Director and Chief Science Officer. Each of them was also appointed as a director. All of the Company's current directors then resigned. On April 7, 2009, the Company changed its name to Cannabis Science, Inc., and obtained a new CUSIP number. Its shares now trade under the symbol CBIS.OB. A Form 8-K was timely filed, with a copy of the Asset Acquisition Agreement and Board Resolution ratifying the Agreement provided as exhibits thereto.

Cannabis Science, Inc. is at the forefront of medical marijuana research and development. The Company works with world authorities on phytocannabinoid science targeting critical illnesses, and adheres to scientific methodologies to develop, produce, and commercialize phytocannabinoid-based pharmaceutical products. In sum, we are dedicated to the creation of cannabis-based medicines, both with and without psychoactive properties, to treat disease and the symptoms of disease, as well as for general health maintenance. Cannabis Science Inc. has also launched its new website www.cannabisscience.com reflecting its new name.

On May 7, 2009 the Company common shares commenced trading under the new stock symbol OTCBB: CBIS.

B. Basis of Presentation

The Company prepares its financial statements on the accrual basis of accounting. The financial statements include the accounts of Curado Energy Resources Inc., a former operating subsidiary, for the period from June 2008 through September 2008.

Cannabis Science, Inc. (formerly Gulf Onshore, Inc.), up until the June 30, 2008 filing has filed as a Development Stage Company, as defined by Accounting Standards Codification ("ASC") Topic 915, "Development Stage Entities". The Company currently files as a development stage entity and is devoting its efforts to establish new business in medical marijuana products.

C. Stock Splits

On March 6, 2008 the Directors of Gulf Onshore, Inc. (the "Company") announced a one for ten (1:10) reverse stock split (the "Reverse Split") and a contemporaneous one for ten (1:10) reduction in the number of the Company's authorized shares of common stock, par value \$0.001 (the "Common Stock"), in accordance with the procedure authorized by Nevada Revised Statutes ("N.R.S.") §78.207. The Directors determined that it would be in the Company's best interest to effect the Reverse Split and approved this corporate action by unanimous written consent. The Reverse Split did not require stockholder approval. All shares referenced, except where otherwise noted, are net of the Reverse Split.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

F. Long-Lived Assets & Impairment on oil lease investments

Under ASC Topic 360, "Property, Plant, and Equipment", the Company is required to periodically evaluate the carrying value of long-lived assets to be held and used. ASC Topic 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

During the year ended December 31, 2008, the Company had acquired two oil & gas leases in two separate transactions. One lease was acquired for cash consideration of \$30,000 and the other lease was acquired in exchange of 50,000,000 (pre reverse split of March 1, 2008) shares. The lease was valued at the fair market value of the shares which was \$5,000,000.

As of December 31, 2008, the Company estimated the future cash flows expected to result from the use and eventual disposition of the two oil & well gas leases. Based on its review, the Company determined that the carrying value of the assets is not recoverable and hence the leases were determined to be impaired as of December 31, 2008. The Company recorded an impairment loss of \$5,030,000 for the year ended December 31, 2008.

In June 2008 the Company acquired eleven oil well leases in a related party transaction with the majority stockholder, K&D Investments, for 10,000,000 shares. The value of the stock at the time of the transaction was \$2,500,000 and the predecessor cost was \$100,000. Therefore, an impairment of \$2,400,000 was recorded related to the transaction and the net cost recorded on the Company's balance sheet was \$100,000. The Leases were acquired into Curado Energy Resources, Inc., the operator of the Leases, which the Company acquired from South Beach Live, Inc., its most significant creditor.

Throughout 3Q 2008, declining oil prices and increased operating costs made continued oil and gas operations on the Leases unprofitable, and the Company was continually drawing down on its Line of Credit Agreement with South Beach. In exchange for concessions from South Beach regarding further cash advances and future stock conversions, in August 2008, the Company agreed to grant South Beach a security interest in its South Beach shares.

On October 6, 2008, in the face of further oil price declines and general economic conditions, the Company and South Beach entered into an Accord and Satisfaction Agreement under which the Company surrendered its interest in the Putnam "M" oil and gas lease in Throckmorton Co., Texas in exchange for a complete release on the Promissory Note and Line of Credit. In addition, the Company waived any claim on the shares of Curado common stock that secured the Promissory Note or the assets of Curado. As a result, the Company's 4Q 2008, financial statements reflect the disposition of Curado and its assets, and furthermore that the Company, once again, became a Development Stage Company seeking a new business partner or acquisition. A Form 8-K reflecting this transaction was timely filed.

G. Fair Value of Financial Instruments

Under ASC Topic 820, the Company discloses the estimated fair values of financial instruments. The carrying amounts reported in the balance sheet for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value.

In accordance with the reporting requirements of ASC Topic 825, Financial Instruments, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this standard and includes this additional information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of current assets and current liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

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H. Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

These adjustments may include amounts to reflect counterparty credit quality and the customer's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

I. Technology License and Royalties

The Company's former principal business activity focused on oil and gas exploration. We have divested ourselves of all oil and gas properties and are investigating other business opportunities. We have no technology licenses or rights to any royalties for formerly owned oil and gas properties.

The Company is entitled to an annual license fee of \$25,000 for the first year, \$50,000 for the second year, \$75,000 for the third year, \$100,000 for the fourth year and \$150,000 for the fifth and successive years, in addition to royalty license fees for 50% of all revenues, receipts, monies and the fair market value of any securities directly or indirectly received by Rockbrook, Inc. as a result of and pursuant to the license agreement entered into with the Company on July 30, 2010. As of December 31, 2011, the Company is re-assessing the license agreement with Rockbrook and how to move forward in a cohesive arrangement with the other license agreements and acquisitions the Company is working on. (See Financial Statement Note 6(c))

J. Stock-Based Compensation

Under ASC Topic 718, "Compensation-Stock Compensation", the Company is required to measure all employee share-based payments, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the statements of operations. The Company has adopted ASC Topic 718 (SFAS 123R) as of January 1, 2006 and recognizes stock-based compensation expense using the modified prospective method.

K. Income Taxes

Under ASC Topic 740, "Income Taxes", the Company is required to account for its income taxes through the establishment of a deferred tax asset or liability for the recognition of future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expense or benefit is recognized as a result of timing differences between the recognition of assets and liabilities for book and tax purposes during the year.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized for deductible temporary differences and operating loss, and tax credit carry forwards. A valuation

allowance is established to reduce that deferred tax asset if it is "more likely than not" that the related tax benefits will not be realized.

Unfiled Federal Tax Returns

In February 2009, the Company filed appropriate federal tax returns for the years ending December 31, 2003 through 2007 and may be subject to failure to file penalties. For the years ending December 31, 2008 through December 31, 2011, the Company has not filed any federal tax returns. The Company estimates that the amount of penalties, if any, will not have a material effect on the results of operations, cash flows or financial position. No provisions have been made in the financial statements for such penalties, if any.

L. Basic and Diluted Net Earnings (loss) per Share

Under ASC Topic 260, "Earnings Per Share" ("EPS"), the Company provides for the calculation of basic and diluted earnings per share. Basic EPS includes no dilution and is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings or losses of the entity. For the periods January 1, 2010 to December 31, 2011, basic and diluted loss per share are the same since the calculation of diluted per share amounts would result in an anti-dilutive calculation.

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M. Development Stage Enterprise

The Company is currently in the development stage as defined under the provisions of ASC Topic 915-10. In October 2008, the Company divested itself of its operating company, Curado Energy Resources, Inc. Beginning with the fiscal fourth quarter of 2008 the Company again became a development stage company. The Company is working on developing its medical cannabis business, which will be comprised of cannabinoid medicines approved through the FDA along with non-psychotropic medicines for the naturopathy market.

N. Recent Accounting Pronouncements

During the year ended December 31, 2011 and through April 16, 2012, there were several new accounting pronouncements issued by the FASB the most recent of which was update no. 2011-12 – Comprehensive Income: Deferral of the Effective date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's financial statements.

O. Reclassifications

For comparative purposes, certain prior period financial statements have been reclassified to conform with report classifications of the current year.

2. GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern. The Company reported an accumulated deficit of \$70,536,669 and had a stockholder's deficit of \$2,230,401 at December 31, 2011.

In view of the matters described, there is substantial doubt as to the Company's ability to continue as a going concern without a significant infusion of capital. At December 31, 2011, the Company had no direct operations and one license agreement for its products. There can be no assurance that management will be successful in implementing its plans. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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We anticipate that we will have to raise additional capital to fund operations over the next 12 months. To the extent that we are required to raise additional funds to acquire research and growing facilities, and to cover costs of operations, we intend to do so through additional public or private offerings of debt or equity securities. There are no commitments or arrangements for other offerings in place, no guaranties that any such financings would be forthcoming, or as to the terms of any such financings. Any future financing may involve substantial dilution to existing investors. We had been relying on our common stock to pay third parties for services which has resulted in substantial dilution to existing investors.

3. INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Current year and accumulated deferred tax benefit at the effective Federal income tax rate of 34% is \$7,128,603 (in addition to the pre-acquisition annual limitation carry-forward discussed in the following paragraph), and a valuation allowance has been set up for the full amount because of the unlikelihood that the accumulated deferred tax benefit will be realized in the future.

At December 31, 2011 and 2010, the Company had available federal and state net operating loss (NOL) carryforwards amounting to approximately \$21,000,000 and \$12,600,000, respectively, that are available to offset future federal and state taxable income and that expire in various periods through 2031 for federal tax purposes and 2016 for state tax purposes. No benefit has been recorded for the loss carryforwards, and utilization in future years may be limited under Sections 382 and 383 of the Internal Revenue Code if significant ownership changes have occurred or from future tax legislation changes.

The following table sets forth the significant components of the net deferred tax assets for operations in the US as of December 31, 2011 and 2010.

	2011	2010
Deferred tax assets:		
NOL expense (benefit)	\$ (7,128,603)	\$ (4,300,931)
Less: valuation allowance	7,128,603	4,300,931
Net deferred tax assets	\$ -	\$ -

A reconciliation of income tax expense at the statutory federal rate of 34% to income tax expense at the Company's effective tax rate for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Income tax expense (benefit) at statutory federal rate	\$ (2,827,672) 34%	\$ (2,775,142) 34%
State income taxes		-
NOL limitation (Note 3)		-
Increase (decrease) in valuation allowance	2,827,672 -34%	2,775,142 -34%
Income tax expense (benefit) at Company's effective tax rate	\$ - 0%	\$ - 0%

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4. EQUITY TRANSACTIONS

The Company is authorized to issue 850,000,000 shares of common stock with a par value of \$.001 per share. These shares have full voting rights. There were 305,820,574 issued and outstanding as of December 31, 2011.

The Company is also authorized to issue 100,000,000 shares of common stock, Class A with a par value of \$.001 per share. These shares have 10 votes per share. There were 0 issued and outstanding as of December 31, 2011.

The Company is also authorized to issue 1,000,000 shares of preferred stock. These shares have full voting rights of 1,000 votes per share. There were 999,999 issued and outstanding as of December 31, 2011.

On October 4, 2011, the Company issued 6,500,000 common shares from the Company's 2011 Stock Compensation Plan B to two consultants for services rendered with a fair market value of \$156,000 based on the closing price of the Company's common stock on September 28, 2011 which was \$0.024 per share.

On October 12, 2011, the Company issued 8,000,000 common shares for settlement of \$8,000 of stockholder debt, for a loss on settlement of \$168,000, assigned from the stockholder note payable originating on July 15, 2010 and July 30, 2010, and owing at December 31, 2010.

On October 13, 2011, the Company issued 3,000,000 common shares for settlement of \$3,000 of stockholder debt, for a loss on settlement of \$64,200, assigned from the stockholder note payable originating on March 2, 2011.

On October 13, 2011, the Company issued 4,500,000 common shares from the Company's 2011 Stock Compensation Plan B to a consultant for services rendered with a fair market value of \$100,800 based on the closing price of the Company's common stock on October 11, 2011 which was \$0.0224 per share.

On October 26, 2011, the Company issued 5,800,000 common shares for settlement of \$5,800 of stockholder debt, for a loss on settlement of \$165,200, assigned from the stockholder note payable originating on July 15, 2010 and August 5, 2010, and owing at December 31, 2010.

On November 4, 2011, the Company issued 30,000,000 common shares for settlement of \$30,000 of stockholder debt, for a loss on settlement of \$570,000, assigned from the stockholder note payable originating on August 16, 2010, September 2, 10, 14, and 17, 2010 and October 7 and 13, 2010, and owing at December 31, 2010.

On November 22, 2011, the Company issued 17,000,000 common shares for settlement of \$17,000 of stockholder debt, for a loss on settlement of \$323,000, assigned from the stockholder note payable originating on August 16, 2010, September 2, 10 and 14, 2010 and October 13, 2010, and owing at December 31, 2010.

On November 23, 2011, the Company issued 9,000,000 common shares for settlement of \$9,000 of stockholder debt, for a loss on settlement of \$171,000, assigned from the stockholder note payable originating on August 16, 2010, and owing at December 31, 2010.

On December 9, 2011, the Company issued 13,500,000 common shares for settlement of \$13,500 of stockholder debt, for a loss on settlement of \$256,500, assigned from the stockholder note payable originating on March 2, 2011.

On December 21, 2011, the Company issued 18,500,000 common shares for settlement of \$18,500 of stockholder debt, for a loss on settlement of \$166,500, assigned from the stockholder note payable originating on October 13, 2010 and May 18, 2011.

On December 28, 2011, the Company issued 5,500,000 common shares for settlement of \$13,500 of stockholder debt, for a loss on settlement of \$256,500, assigned from the stockholder note payable originating on March 2, 2011.

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A. Warrants

A summary of the warrant activity for the years ended December 31, 2011 and 2010 is as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding, December 31, 2009	180,000	\$67.00

Granted	-	-
Forfeited / Cancelled	(180,000)	-
Exercised	-	-
Outstanding, December 31, 2010	-	-
Granted	-	-
Forfeited / Cancelled	-	-
Exercised	-	-
Outstanding, December 31, 2011	-	-

In February 2005, the Company issued a warrant to acquire up to 600,000 shares of unregistered common stock at an exercise price of \$0.60 per share to W.B. International, Inc., in exchange for consulting services. All shares vested upon grant. The warrant expired in February 2010.

In June 2005, the Company issued a warrant to acquire up to 600,000 shares of unregistered common stock at an exercise price of \$0.70 per share to each of Liquid Stone Manufacturing, Inc. and Stone Mountain Finishes, Inc. in consideration of certain license agreements. All shares vested upon grant. The warrants expired in June 2010.

No warrants were outstanding at December 31, 2011 and 2010. Therefore, there is no applicable weighted-average remaining contractual life to report. During the years ended December 31, 2011 and 2010 the Company has not issued any warrants.

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B. Employee Options

On April 3, 2006, the Board of Directors of the Company authorized and approved the adoption of the 2006 Stock Option Plan effective April 3, 2006 (the "Plan"). The Plan is administered by the duly appointed compensation committee. The Plan is authorized to grant stock options of up to 2,500,000 shares of the Company's common stock. At the time a stock option is granted under the Plan, the compensation committee shall fix and determine the exercise price and vesting schedules at which such shares of common stock of the Company may be acquired. As of December 31, 2011 and 2010, no options to purchase the Company's common stock have been granted under the Plan.

In September, 2006, the Board of Directors of the Company authorized and approved the adoption of the 2006-1 Consultants and Employees Service Plan effective September 7, 2006 (the "Consultants Plan"). The Plan is administered by the duly appointed compensation committee. The Plan is authorized to grant stock options and make stock awards of up to 38,000 shares of the Company's common stock. At the time a stock option is granted under the Plan, the compensation committee shall fix and determine the exercise price and vesting schedules at which such shares of common stock of the Company may be acquired. The Consultants Plan was registered on September 15, 2006 and as of December 31, 2006 a total of 37,990 shares had been issued and granted under the Consultants Plan. During 2011 and 2010 no additional shares were issued.

C. Equity Compensation Plans

On January 25, 2011, the Company created a 2011 Stock Compensation Plan: authorizing the issuance of up to 15,000,000 common shares to staff or consultants for services rendered to or on behalf of the Company. The Company filed a Registration Statement on Form S-8, file no. 333-171850, to register the shares.

On September 19, 2011, the Company created a 2011 Stock Compensation Plan B: authorizing the issuance of up to 15,000,000 common shares to staff or consultants for services rendered to or on behalf of the Company. The Company filed a Registration Statement on Form S-8, file no. 333-176910, to register the shares.

There were no options outstanding at December 31, 2011.

5. RELATED PARTY TRANSACTIONS

On October 8, 2008, the Company entered into a line-of-credit agreement with South Beach Live, Inc. ("SBL"). During 2009, borrowings under this agreement totalled \$48,469 which was settled through the issuance of common stock on November 6, 2009 (see below).

On March 25, 2009 Summitt Oil & Gas, Inc. ("SUMMITT") and 364 Melissa, Ltd. ("MELISSA") entered into a purchase and sale agreement whereas SUMMITT agreed to assign its rights with respect to debt of \$814,742 plus accrued interest and to sell 400,000 shares of restricted stock for a total of \$50,000. The debt comprises the Secured Convertible Note issued on January 5, 2007, in the amount of \$650,000, further advances of \$164,742 (total \$814,742) and accrued interest of \$136,346. The note is convertible into common stock at \$0.01 per share. The conversion feature of the note is at the option of the note holder and therefore the Company has not accounted for any related expense.

On November 6, 2009 the debt owed to SBL and MELISSA was settled through the issuance of common stock and assignment. The loss on settlement of debt of \$1,458,838 is reflected in the accompanying statement of operations. The remaining \$510,000 of the convertible note was assigned from MELISSA to a stockholder of the Company.

During 2010, the stockholder sold the majority of the note payable totaling \$509,991, which was converted at between \$0.001 and \$0.10 per share into 42,750,000 common shares by the purchasers of the debt as settlement.

The Company accrued \$750,000 in management fees and bonuses to directors, officers, and a consultant for the year ended December 31, 2011 compared to \$675,000 for the year ended December 31, 2010. A total of \$1,425,000 remains outstanding at December 31, 2011 and as of the filing date of this Form 10-K.

Advances from related parties totaled \$156,818 and \$107,835 at December 31, 2011 and 2010, respectively. These advances are non-interest bearing and are due upon demand.

Advances from stockholders totaled \$194,413 and \$171,509 at December 31, 2011 and 2010, respectively.

The Company borrowed \$193 and repaid \$2,000 to an officer during the year ended December 31, 2011.

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6. COMMITMENTS AND CONTINGENCIES

A. Legal

The Company is not currently aware of any formal legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company's financial position or results of operations.

B. Operating Leases

We currently lease office space at 6946 N Academy Blvd, Suite B #254, Colorado Springs, CO 80918 on a month to month basis.

The Company has a commitment of \$50,000 in regards to the termination of its previous lease at 2422 S. Trenton Way, Unit H, Denver, CO 80231. This amount was paid as of March 2012.

C. Liabilities

Included in "Accrued expenses" on the balance sheet at December 31, 2011, the Company had payables totaling \$35,791 to two former directors, one attorney and a consultant that were incurred in 2006 and 2005, respectively.

- The attorney represented a former related party when it was in negotiations to acquire the Company in 2005. The Company's position is that this is not its liability as it did not contract the attorney and reversed the liability based on legal opinion.
- The former directors were awarded severance agreements in June 2006 shortly before resigning from the Company. The states statute of limitations expired in June 2010 and the Company accordingly adjusted the liabilities to \$0 as no demand was received.
- In February 2009, the Company filed appropriate federal tax returns for the years ending December 31, 2003 through 2007 and may be subject to failure to file penalties. From December 31, 2008 through December 31, 2010, the Company did not file any federal tax returns. The Company estimates that the amount of penalties, if any, will not have a material effect on the results of operations, cash flows or financial position. No provisions have been made in the financial statements for such penalties, if any.

The Company entered into a license agreement with Rockbrook, Inc. on July 30, 2010. Under the agreement, the Company is entitled to an annual license fee of \$25,000 for the first year, \$50,000 for the second year, \$75,000 for the third year, \$100,000 for the fourth year and \$150,000 for the fifth and successive years, in addition to royalty license fees for 50% of all revenues, receipts, monies and the fair market value of any securities directly or indirectly received by Rockbrook, Inc. as a result of and pursuant to the license agreement. As of December 31, 2011, the Company is re-assessing the license agreement with Rockbrook and how to move forward in a cohesive arrangement with the other license agreements and acquisitions the Company is working on.

As of December 31, 2011, the Company recognized \$73,702 as license revenue for fiscal 2011 and \$4,166 for fiscal 2010.

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7. EQUIPMENT

	2011	2010
	\$	\$
Equipment	967	1,567
Computers	-	614
	<u>967</u>	<u>2,181</u>

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred and the cost of renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated lives of the related assets (5 years for equipment).

8. INTANGIBLE ASSETS

	2011	2010
	\$	\$
Intellectual assets, primarily intellectual property	126,000	126,000
Less: accumulated amortization	(78,412)	(57,264)
Net intellectual assets	<u>47,588</u>	<u>68,736</u>

Intangible assets are stated at fair value on the date of purchase less accumulated amortization. Amortization is computed using the straight-line method over the estimated lives of the related assets (5 years for intellectual assets). Amortization expense is expected to approximate \$21,000 each year for the next two years and 5,736 in year three.

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9. DISCONTINUED OPERATIONS

On October 22, 2008, the Company and South Beach Live, Inc. (SBL) entered into an Accord and Satisfaction Agreement wherein SBL agreed to release the Company from its obligation under the \$250,000 Promissory Note in exchange for the Company's oil and gas lease, the Putnam M, and a surrender of any claim to the shares of Curado which were being held by SBL under a Security Agreement. SBL then exercised its right to acquire the shares of Curado thereby taking ownership of the assets and liabilities of Curado. The Company has reclassified the financial results of Curado for the period June 6, 2008 through September 30, 2008 as discontinued operations. The following table sets forth the significant components of the loss from discontinued operations:

Revenue from oil and gas sales	\$ 447,412
Lease operating expenses	(230,164)
Other operating expenses	(146,067)
Impairments	(2,400,000)
Loss on disposition of subsidiary	(97,050)
Loss before provision for income taxes	(2,425,869)
Income tax credit	824,795
Loss from discontinued operations	\$ (1,601,074)

10. SUBSEQUENT EVENTS

On February 9, 2012, the Company established a 2012 Equity Compensation Plan that authorizes the Company to issue up to 50,000,000 common shares to staff or consultants for services to or on behalf of the Company. The Company filed a Registration Statement Form S-8 with the U.S. Securities and Exchange Commission on February 14, 2012, file no. 333-179501, to register the shares covered under the plan.

On February 24, 2012, the Company issued 3,000,000 common shares from the Company's 2012 Equity Compensation Plan to a consultant for services rendered with a deemed fair value of \$246,000, or \$0.082 per share based on the closing price of the Company's stock on February 23, 2012.

The aforementioned shares were registered on Form S-8 with the SEC on February 14, 2012, file no. 333-179501.

On January 13, 2012, the Company issued 1,000,000 common shares for settlement of \$1,000 of stockholder debt, for a loss on settlement of \$28,500, assigned from the stockholder note payable originating on June 25, 2011 and owing at December 31, 2011.

On January 20, 2012, the Company issued 46,500,000 common shares for settlement of \$46,500 of stockholder debt, for a loss on settlement of \$2,613,300, assigned from the stockholder notes payable originating on March 2, March 29, April 2, June 30, and July 1, 2011 and owing at December 31, 2011.

On February 9, 2012, the Company signed a license agreement with Apothecary Genetics Investments LLC. to produce several Cannabis Science Brand Formulations for the California medical cannabis market. As well, Apothecary will provide research and development facilities with full circle operations including a California laboratory facility for internal research and development, along with 16 unique genetic strains specifically generated and maintained by a cancer survivor who recognizes the importance of proper growth and breeding. In consideration of this agreement, on January 1, 2012, the Company entered into a 25 year management agreement with Dr. Mohammad Afaneh to act Chief Operating Officer of Cannabis Science, Inc. Dr. Afaneh received 28,500,000 common shares valued at \$299,250 under this agreement. In addition, on February 10, 2012, Dr. Afaneh signed a management bonus agreement where he received 5,000,000 common shares valued at \$185,000 as a signing bonus for entering into his management agreement. In addition, on January 1, 2012, the Company entered into a 25 year management agreement with Bret Bogue to act as Director of Horticulture and head of research and development. Mr. Bogue received 28,500,000 common shares valued at \$299,250 under this agreement. In addition, on February 10, 2012, Mr. Bogue signed a management bonus agreement where he received 5,000,000 common shares valued at \$185,000 as a signing bonus for entering into his management agreement.

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On February 9, 2012, the Company acquired GGECO University, Inc. ("GGECO"), an online video-based medical cannabis education system, offering courses dealing with medical cannabis law, the benefits of medical marijuana, cooking, horticulture, and bud tending. Following the university's name change to Cannabis Science University, the Company hopes to use this platform to educate the general public, patients, and even those who have already been involved in the medical cannabis industry on the medical benefits of cannabis, how it is grown, how to use it safely, and the many applications or ways to administer the medication. In consideration of this agreement, the Company issued 25,000,000 common shares to the principals of GGECO, valued at \$925,000.

On March 13, 2012, the Company issued 28,500,000 common shares for settlement of \$28,500 of stockholder debt, for a loss on settlement of \$3,262,500, assigned from the stockholder notes payable originating on August 16, 2010, September 14, 2010, September 17, 2010, October 7, 2010 and June 30, 2011 and owing at December 31, 2011.

On March 21, 2012, the Company acquired Cannabis Consulting Inc. ("CCI Group"), which consists of a group of businesses operated by Robert J. Kane, including: all contracted rights, properties, patents, trademarks, and distribution rights and agreements pertaining to Cannabis Consulting Inc., Robert Kane Partners, Kaneabis Consulting, Kaneabis Fund, Kaneabis Report, and Kaneabis Radio. In conjunction with the acquisitions, Robert Kane was promoted to V.P. of Investor Relations for the Company. Consideration paid for the CCI Group was 1,000,000 common shares to be issued to the principal, Mr. Robert Kane. He also received 250,000 free trading shares.

On March 22, 2012, the Company issued 250,000 common shares with a fair market value of \$12,500 to a member of the Company's scientific advisory board for services rendered.

A stockholder of the Company, Intrinsic Capital Corp., loaned the following monies to Cannabis Science:

\$20,000 on January 27, 2012
 \$10,000 on January 30, 2012
 \$51,748 on February 24, 2012
 \$5,000 on March 2, 2012
 \$25,000 on March 14, 2012
 \$30,000 on March 29, 2012
 \$15,000 on April 2, 2012
 \$25,000 on April 4, 2012

; for total loan proceeds of \$181,748.

Subsequent events have been reviewed and included for presentation herein up to and including April 16, 2012.

Appropriate Form 8-K information will be filed after management has determined what information will be required.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements with accountants on accounting and financial disclosure during the relevant period.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2009. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer, and chief financial officer / principal financial officer who concluded that our disclosure controls and procedures are not effective to ensure that all material information required to be filed in the annual report on Form 10-K has been made known to them.

Disclosure, controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by in our reports filed under the Securities Exchange Act of 1934, as amended (the "Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation conducted for the period ended December 31, 2011, our Chief Executive and Chief Financial Officer as of December 31, 2011 and as of the date of this Report, has concluded that as of the end of the periods covered by this report, we have identified the following material weakness of our internal controls:

Reliance upon independent financial reporting consultants for review of critical accounting areas and disclosures and material non-standard transactions.

Lack of sufficient accounting staff which results in a lack of segregation of duties necessary for a good system of internal control.

In order to remedy our existing internal control deficiencies, as our finances allow, we will hire additional accounting staff.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework at December 31, 2011. Based on its evaluation, our management concluded that, as of December 31, 2011, our internal control over financial reporting was not effective because of limited staff and a need for a full-time chief financial officer. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Controls over Financial Reporting

We have not yet made any changes in our internal controls over financial reporting that occurred during the period covered by this report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Identification of Directors and Executive Officers of the Company:

As of December 31, 2011, our officers and directors were as follows:

NAME	AGE	OFFICE	SINCE
Dr. Robert Melamede	64	President & CEO	2009
Richard Cowan	72	CFO, Director and Secretary	2009

The Directors named above will serve until the next annual meeting of our stockholders. Thereafter, Directors will be elected for one-year terms at the annual stockholders' meeting. Officers will hold their positions at the pleasure of the Board of Directors. There is no arrangement or understanding between the Directors and Officers of the Company and any other person pursuant to which any Director or Officer was or is to be selected as a Director or Officer of the Company.

There are no family relationships between or among any Officer and Director.

On March 30, 2009 the Company announced it acquired the assets of Cannex Therapeutics, LLC., a California based privately held company in the forefront of the development of medical cannabis based pharmaceutical products. The asset purchase agreement includes all intellectual property rights, formulas, patents, trademarks, client base, hardware and software pertaining to Cannex's pharmaceutical cannabis research & development business. Along with the Cannex asset purchase the Company appointed Steve W. Kubby as President & CEO, Richard Cowan as Director & CFO, and Robert Melamede Ph. D., as Director & Chief Science Officer.

Dr. Robert Melamede has a Ph.D. in Molecular Biology and Biochemistry from the City University of New York. Dr. Melamede retired as Chairman of the Biology Department at University of Colorado, Colorado Springs in 2005, where he continues to teach and research cannabinoids, cancer, and DNA repair. Dr. Melamede is recognized as a leading authority on the therapeutic uses of cannabis, and has authored or co-authored dozens of papers on a wide variety of scientific subjects. Dr. Melamede also serves on the Editorial Board of The Journal of the International Association for Cannabis as Medicine, the Scientific Advisory Board of Americans for Safe Access, Sensible Colorado, Scientific Advisor for Cannabis Therapeutics as well as a variety other of state dispensaries and marijuana patient advocacy groups

Mr. Richard Cowan has a Bachelor of Arts in Economics from Yale University. He has served on the board of several public companies as a specialist in mergers and acquisitions with a focus on corporate finance. Mr. Cowan is a former CEO of the National Organization for the Reform of Marijuana Laws (NORML). Mr. Cowan has broad knowledge of the medical cannabis world in USA, Canada, and Europe.

We have no audit committee. We have a compensation committee that administers our 2006 Employee Stock Option Plan that we adopted in April 2006.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To our knowledge, based solely on its review of the copies of such reports furnished to the company and written representations that no other reports were required during the fiscal year ended December 31, 2006, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

Code of Ethics

Code of Ethics for the Chief Executive Officer, the Principal Financial Officer, and the Chief Operating Officer.

Our Board of Directors has adopted the Code of Ethical and Professional Standards of National Healthcare Technology, Inc. and Affiliated Entities Code of Business Conduct and Ethics that applies to its officers and employees effective on April 11, 2007. We will provide any person without charge, a

copy of our code of ethics, upon receiving a written request in writing addressed to the Company at the Company's address, attention: Secretary.

ITEM 11. EXECUTIVE COMPENSATION

During fiscal 2011, the Company accrued a total of \$750,000 in executive compensation, consisting of \$0 in salary, and \$750,000 in management fees. The table below shows the compensation split:

	Cash compensation	Stock issuances	Total Compensation
Dr. Robert Melamede	\$ 250,000	\$ -	\$ 250,000
Raymond Dabney	250,000	-	250,000
Richard Cowan	250,000	-	250,000
	\$ 750,000	\$ -	\$ 750,000

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Employment Agreements

Currently, the Company has management agreements with its two executives and a managing partner.

Compensation of Directors

Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meeting of the Board of Directors.

We have no tabulates holdings of shares of the Company by each person who, subject to the above, at the date of this Report, holds of record or is known by Management to own beneficially more than five percent (5%) of our common stock and, in addition, by all of our directors and officers individually and as a group.

NAME AND ADDRESS	NUMBER OF SHARES OWNED BENEFICIALLY	PERCENT OF SHARES OWNED
Bogat Family Trust #503 - 1155 Robson St. Vancouver, BC V6E 1B5, Canada	9,090,000	2.97%
Dr. Robert Melamede ⁽¹⁾ 1918 El Parque St. Apt 4, Colorado Springs, CO 80907-6798	8,507,000	2.78%
Richard Cowan ⁽¹⁾ Haarlemmerstraat 86, Amsterdam, Netherlands 1013EV	8,507,000	2.78%
ALL DIRECTORS AND EXECUTIVE OFFICERS	17,014,000	8.35%

⁽¹⁾ Officer and Director.

Changes in Control

There are no arrangements known by us, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change of control of the Company.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

During the year the following transactions occurred between the Company and certain related parties:

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

(1) AUDIT FEES

The aggregate fees billed for professional services rendered by our auditors, for the audit of the registrant's annual financial statements and review of the financial statements included in the registrant's Form 10-K or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for fiscal year 2011 was \$ _____ and in 2010 was \$51,500.

(2) AUDIT-RELATED FEES

The aggregate fees billed for professional services rendered by our auditor include amounts paid for the review of the unaudited financial statements included in the registrant's Form 10-Q were approximately \$ _____.

(3) TAX FEES

NONE

(4) ALL OTHER FEES

NONE

(5) AUDIT COMMITTEE POLICIES AND PROCEDURES

Audit Committee Financial Expert

The Securities and Exchange Commission has adopted rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 requiring public companies to disclose information about "audit committee financial experts." As of the date of this Annual report, we do not have a standing Audit Committee. The functions of the Audit Committee are currently assumed by our Board of Directors. Additionally, we do

not have a member of our Board of Directors that qualifies as an "audit committee financial expert." For that reason, we do not have an audit committee financial expert.

(6) If greater than 50 percent, disclose the percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

Not applicable.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Exhibits filed with report:

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

99.1 Pro Forma Combined Financial Statements for GGECO University, Inc.

EX-101.INS	XBRL INSTANCE DOCUMENT
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 16, 2012

Cannabis Science, Inc.
By: /s/ Dr. Robert Melamede
Dr. Robert Melamede President, Chief Executive Officer Director

Pursuant to the requirements of the Exchange Act this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Dr. Robert Melamede</u> Dr. Robert Melamede	President, Chief Executive Officer, Director	April 16, 2012
<u>/s/ Richard Cowan</u> Richard Cowan	Chief Financial Officer Director	April 16, 2012

EXHIBIT #5

Home	News Viewer	Markets	Investing	Personal Finance	Industries	Economy/Politics	Trading Deck	Jobs
Stocks	Mutual Funds	ETFs	Options	Bonds	Commodities	Currencies	Getting Started	MarketWatch Adviser
							View All	Premium Alerts
Latest News								
6:50p Carlyle prices IPO below range at \$22: WSJ								
6:40p Green Mountain Coffee shares off 40% after hours								
6:32p Carlyle Group prices IPO below expected range: WSJ								
6:32p BREAKING								
May 2, 2012			7:03 PM EDT					
New York	London	Tokyo	DOW	-10.75	NASDAQ	+9.41	S&P 500	-3.51
After	Closed	Holiday	13,268.57	-0.08%	3,059.85	+0.31%	1,402.31	-0.25%



Cannabis Science Inc.

OBB: CBIS

Set Alerts

Fin

Add to Portfolio

Tr

OVERVIEW PROFILE NEWS CHARTS FINANCIALS HISTORICAL QUOTES ANALYST ESTIMATES OPTIONS SEC

After Hours

\$0.09

Change 0.00 0.00%

Volume 6.15m

May 2, 2012, 4:01 p.m.

Quotes are delayed by 20 min

Today's close **\$ 0.09**

Change -0.0045 -4.59%

Day low Day high

\$0.09 \$0.10

Open: 0.10

52 week low 52 week high

\$0.0085 \$0.25

Market cap **\$37.80M**

Average volume **24.54M**

P/E ratio **N/A**

Rev. per Employee **\$36,851**

EPS **N/A**

Dividend **N/A**

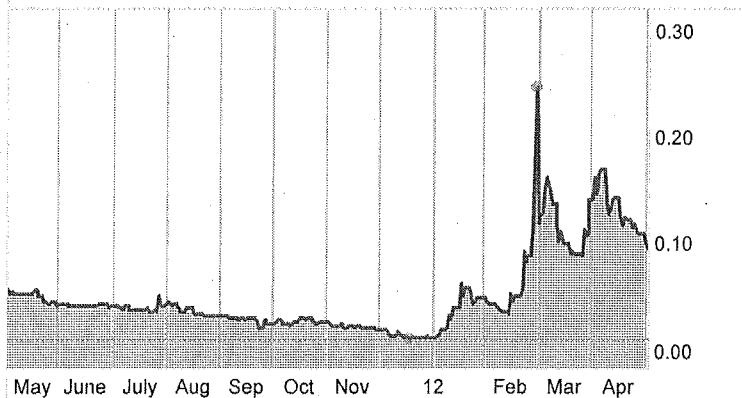
Div yield **N/A**

Compare: Indexes

Add

MarketV

No News curr



1d 5d 3m 6m 1y 3y 5y

Set

Other News on CBIS

10-K: CANNABIS SCIENCE, INC.

4:23 p.m. April 16, 2012 - Edgar Online - (EDG = 10Q, 10K)

Marijuana: A Half-Baked Investment Idea?

4:23 p.m. Nov. 1, 2010 - SmartMoney

Ex dividend date N/A
Home News Viewer Markets **Investing** Personal Finance Industries Economy/Politics Trading Deck Jobs
Stocks Mutual Funds ETFs Options Bonds Commodities Currencies Getting Started MarketWatch Adviser Premium

From Around the Web

4 risky places
Bankrate.com

10 Worst-Rate
AARP.org

Buffett Just Bought
StreetAuthority

Why You Should
Daily Finance

Never Trade Forex
DailyFX

Press Releases

Cannabis Science Inc.
Time medical
Canyon Resort
8:44 a.m. April 30

Cannabis Science Inc.
of Products Inc.
2:45 p.m. April 24

Cannabis Science Inc.
and Licensing
License to Market
for Advertising
12:10 p.m. April 2
The Universe

MarketWatch.com

Enter Symbols or Keywords

SEARCH

Site Index
Topics

Company Info
Code of Conduct

MarketWatch on Facebook

WSJ.com
Barron's Online

Help	Home	News Viewer	Markets	Investing	Personal Finance	Industries	MarketWatch on Twitter	Economy/Politics	Trading	BigCharts	Virtual Stock E
Feedback	Markets	ETFs	Options	Advertise	Media Kit	Commodities	Currencies	Getting Started	MarketWatch	Adviser	Things to Do
Media Archive	Premium Products	Mobile	License our Content	Broker Center	Your Ad Choices	Podcasts					

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Intraday Data provided by SIX Telekurs and subject to terms of use. Historical and current end-of-day data provided by SIX Telekurs. Intraday data delayed per exchange requirements. Dow Jones Indexes (SM) from Dow Jones & Company, Inc. All quotes are in local exchange time. Real time last sale data provided by NASDAQ. More information on NASDAQ traded symbols and their current financial status. Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. Dow Jones IndexesSM from Dow Jones & Company, Inc. SEHK intraday data is provided by SIX Telekurs and is at least 60-minutes delayed. All quotes are in local exchange time.